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Japan's elections
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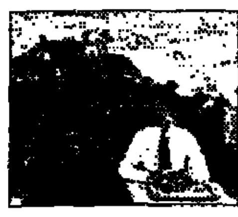

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FINANCIAL TIMES

Europe's Business Newspaper

MONDAY JULY 5 1993 D8523A

'Catastrophe' fears in Sarajevo as water supply fails

Relief workers warned of an impending "catastrophe" in the besieged Bosnian capital Sarajevo as supplies of food and medicine have dwindled and conditions deteriorated. Relief officials have expressed concern about outbreaks of typhoid and dysentery because there is no electricity to pump water.

Serb forces meanwhile pounded the town as fighting between Croat and Moslem forces erupted on new fronts in central Bosnia. Report, Page 2

Nadir millions: Fugitive businessman Asil Nadir misappropriated as much as £565m from banks, bondholders and shareholders in the last few years of his chairmanship of Polly Peck International. Page 12; Former law lord urges inquiry, Page 5

Agdam set to fall: Armenian forces from the territory of Nagorno-Karabakh closed in on Azerbaijan town of Agdam which came under heavy shelling and is now likely to fall within 24 hours. Page 2

Merger rumours denied: Britain's General Electric Company and British Aerospace dismissed as speculation a weekend press report that they were holding preliminary talks that could lead to a merger of their defence interests. Page 13

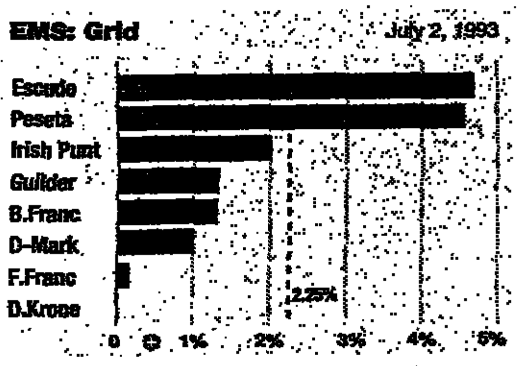
Volkswagen group vice-chairman Daniel Goeudevert has been squeezed out of his post as a result of a "structural reorganisation". He will leave at the end of July by "mutual agreement". Page 13

Toray to open £50m UK plant: Toray, Japan's biggest textiles company, on Wednesday opens a £50m weaving mill in Nottinghamshire, central England, the area's biggest ever inward investment project after Toyota's car plant in Derby. Page 5

Land Rover plans US sales drive: Land Rover North America outlined plans to quadruple annual sales to 16,000 when its Discovery model goes on sale in the US next year. Page 14

European Monetary System: The D-Mark maintained its position in the exchange rate mechanism's grid despite last week's interest rate cuts, which were led by a larger-than-expected easing by the Bundesbank. At the top of the grid, the peseta and the escudo were competing for first place. The remaining rankings were unchanged. Germany faces more pressure to ease rates, Page 4; Currencies, Page 23

EMS: Grid July 2, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

London traffic chaos fears: The controversial security cordon around the City of London faces its first test today amid fears that the scheme could cause widespread congestion. Page 12

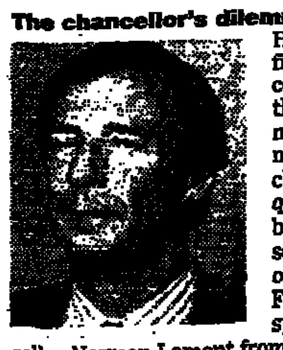
Egypt wants cleric: Egypt is seeking the extradition from the US of New Jersey-based Islamic preacher Sheikh Omar Abdul-Rahman, some of whose followers were arrested last month in a thwarted terrorist plot. Page 4

Nuclear plant for Iran: China agreed to help Iran build a 300 megawatt nuclear power plant. Both countries said it would only serve peaceful purposes.

Philippine death toll rises: At least 271 pilgrims are now known to have drowned when a Philippine floating shrine collapsed and sank on Friday in Bocaue river north of Manila.

Champion Sampras: World No 1 Pete Sampras, 21, won the Wimbledon men's singles tennis title beating world No 2 Jim Courier, 22, 7-6, 7-6, 3-6, 6-3 in the first all-American final since 1984.

The chancellor's dilemma: an inside view



How did Britain's public finances get out of control? What should the government do now? How should Kenneth Clarke, the new chancellor of the exchequer, shape his November budget? Bill Robinson (left), former director of the Institute for Fiscal Studies and special adviser to chancellor Norman Lamont from February 1991 until the cabinet reshuffle in May, will offer some answers in an FT eight-part summer series. In his first article tomorrow, Robinson asks: how do current problems compare with the crisis of 1976? There are, he concludes, alarming similarities.

Correction: The German Lombard and discount rates were transposed in a front page chart in some editions of Friday's paper.

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr60	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr60	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Mickey Mouse back in China – on best behaviour

By Tony Walker in Beijing

MICKEY MOUSE and Donald Duck are back in China – but their behaviour must be politically and socially correct. Thus Donald's exuberant offspring will not be allowed to set a bad example to Chinese children, says Mr Zhao Wenyi, a senior editor of China's Post and Telecommunications Press, Disney's partner in China.

Also excluded from Chinese editions of Disney comics will, for example, be a sequence in which a youngster eating an ice cream and leading a dog chasing a cat becomes entangled in a tree with the ice cream smeared across his face. "Since in Chinese cities it is not allowed to raise a dog, not to mention a dog led by a small boy, we didn't want to run counter to the regulations so we dropped the story," said Mr Zhao.

It would have been "perfectly all right" if the boy had been running after a bee, which would have been "more like a Chinese situation," he added.

Also banished from Donald's family will be his money-worshipping Uncle Dagobert, whose habit of bathing in piles of dollar bills is not deemed appropriate for a Chinese audience – even though people have been told for the past 10 years that "to get rich is glorious".

In spite of the amendments, Disney executives are excited about returning to China's market of 1.1bn people after a first attempt to introduce a Chinese-speaking Mickey and Donald in 1987.

Disney pulled out in 1990 in protest at rampant counterfeiting of its comics and products, but with the passage of China's first copyright law, the company has decided to return.

The first of the new Mickey Mouse comics appeared in China on June 1, International Children's Day, with an initial print run of 60,000. Priced at about 30 US cents each, they disappeared from the shops almost overnight.

Mr Zhao is sure Mickey and Donald will prove an enormous success and give Chinese children a welcome change from comic book heroes whose fantasy world is heavier and less humorous than their Disney equivalents.

"You can't eat dumplings and rice every day," he says. "You need a change after a while. And as a kid you can't just watch the Monkey King every day, either."

Other comic strip characters,

Continued on Page 12

UN pulls its weapons inspectors out of Iraq

By Mark Nicholson in Cairo and George Graham in Washington

UNITED NATIONS weapons inspectors are to pull out of Baghdad today after failing to persuade the Iraqi authorities to let them monitor a pair of missile testing sites with video cameras.

Mr Warren Christopher, the US secretary of state, warned in Washington that the situation could presage another confrontation with Iraq.

The renewed tension arose as Baghdad sent a team of negotiators to New York for talks with the UN over a possible limited resumption of oil exports.

Mr Nikita Smidovich, the UN weapons inspectors' leader, said his team had tried since June 4 to win the agreement of the Iraqi authorities. He said they would fly out of Iraq today.

The UN Security Council has already adopted a resolution warning Iraq of "serious consequences" if it fails to install the cameras at the Yam al-Azim and Al-Rafah sites, part of the UN's continuing mandate under Gulf war ceasefire resolutions to inspect and destroy Iraq's weapons.

In a television interview, Mr Christopher said Iraq's refusal to allow video monitoring was "a very significant violation" of UN resolutions.

Iraq has said it would consider installing the cameras only after a broader discussion of arms control with the UN commission scheduled for July 12.

The stand-off is likely to raise apprehension in Baghdad about a further punitive western-led military strike on Iraq, following the recent US cruise missile attack on the country's intelligence headquarters.

However, no post-Gulf war strike on Iraq has yet been prompted directly by any of the numerous confrontations between Baghdad and UN weapons inspectors.

The January 17 missile attack on Baghdad factories linked to Iraq's nuclear programme was essentially a US-led initiative and followed rising tension in the "no-fly" zone over southern Iraq, after Baghdad had installed anti-aircraft missiles.

The stalled UN weapons inspection may, however, cloud the atmosphere surrounding talks due to open in New York on Wednesday between UN legal experts and Iraqi oil ministry officials over a resumption of Iraqi oil sales.

The talks will be the first for more than a year on a proposed UN exception to the post-Gulf war embargo on oil sales, permitting Iraq to sell up to $1.6bn worth of crude to pay for food, medicines and the cost of UN operations in Iraq.

The technicalities of such an agreement were decided in Vienna last year, but on political grounds, Iraq refused the terms of the permitted exception to the embargo, which could put more than 500,000 barrels of oil a day into the crude market.

Iraqi officials particularly objected to the requirement that UN officials should oversee the distribution of food and medicines paid for under the scheme, saying it was an unacceptable infringement of the country's sovereignty.

Progress in opening up markets to be measured

Japan in new bid to heal rift with US

By Charles Leadbeater in Tokyo

THE Japanese government has offered to use a variety of indicators to measure its efforts to reduce the current account surplus, in an attempt to prevent trade friction with the US souring this week's Tokyo summit.

Japan would set the criteria to be used, which would flow from the government's normal economic forecasts. Tokyo insists the indicators would not amount to targets to reduce the surplus or increase imports, nor should the indicators be binding commitments which could invite sanctions from the US if they were not met.

The US has been pressing Japan for two months to agree a new framework – including numerical targets – for trade talks aimed at opening up the Japanese market and cutting the current account surplus, which could reach $150bn this year. The US wants these targets to be set and reviewed jointly, while Tokyo argues this would infringe its right to run its domestic economic policies.

Talks over the framework broke up a week ago without a date for the next round of discussions.

The Japanese proposals, which were hurriedly put together in the past few days, reflect the concerns of senior Japanese diplomats that Japan and the US should not be seen to be seriously at odds over trade during this week's Tokyo summit of heads of state from the Group of Seven industrialised nations.

The main economic issues on the G7 agenda are world growth and unemployment; trade, focusing on the stalled Uruguay Round of liberalisation talks; and help for Russia. President Bill

Continued on Page 12
Japanese election, Page 3

A Tokyo policeman patrols the approaches to a government guest house in preparation for this week's Group of Seven meeting

France calls for world ban on nuclear testing

By Alice Rawsthorn in Paris, David White in London and George Graham in Washington

FRANCE called yesterday for a global ban on nuclear testing in response to President Bill Clinton's decision to suspend US tests.

President François Mitterrand's office said France was in favour of a treaty banning tests completely "providing it is universal and verifiable".

The French have carried out no tests since the former Socialist government suspended them in April last year. However, nuclear planners are seeking a series of tests on two new submarine-launched weapons, the M45 and M5. French tests are undertaken at Mururoa atoll in the Pacific.

In addition, Mr Edouard Balladur, the prime minister, has come under pressure from right-wing members of his centre-right coalition government to resume testing. The National Assembly finance committee last week approved a paper calling for the resumption of tests.

Mr Balladur said on French television yesterday that he was "in complete agreement" with Mr Mitterrand. He and Mr Mitterrand planned to "put our minds at rest" by forming a group of military and scientific experts to ensure that France's nuclear deterrent did not suffer as a result of the suspension of tests.

British ministers say the UK

Continued on Page 12
French economy, Page 10

German interior minister quits over police shootout

By Ariane Genillard in Bonn

MR Rudolf Seiters, Germany's federal interior minister, yesterday resigned under mounting pressure from the media and politicians over his handling of a shootout between German police and suspected leftwing terrorists.

His resignation brings to 20 the number of ministers who have resigned in Chancellor Helmut Kohl's successive governments since he came to power in 1982. Six ministers have quit since the beginning of the year, highlighting the internal problems the centre-right coalition faces as it prepares for re-election next year.

The government's public image also recently suffered a setback when Mr Theo Waigel, the federal finance minister, announced his willingness to leave the cabinet if he was chosen to replace Mr Max Streibl, the former Bavarian premier.

Mr Seiters, and Mr Alexander von Stahl, the federal prosecutor, have been under fire for a week for not disclosing the exact circumstances under which Mr Wolfgang Grams, a suspected member of the Red Army Faction died last Sunday.

Mr Seiters said he was taking personal responsibility for the "mistakes, the lack of clarity and of co-ordination in the police."

He added: "In Germany, we have the notion of political responsibility. Who, if not a minister, should accept this responsibility?"

Reports in the German media, based on the accounts of witnesses, allege that police shot Mr Grams at point blank range when he was on the floor and unarmed. Der Spiegel, the German weekly magazine, quoted a police officer as saying that "the killing was like an execution".

Earlier in the week, the interior ministry had said that Mr Grams had been shot at from a distance of 1.5 metres and had called the arrest a model of anti-terrorist action.

The German media have also questioned whether Mr Michael Newrzella, an anti-terrorist police officer who died in the shootout, was killed by the suspected terrorist or by a colleague. But Mr Gerhard Köhler, vice-president of the federal criminal office, yesterday denied that Mr Newrzella was killed by police.

Mr Seiters, a Christian Democrat, has been in the public spotlight recently because of his role in trying to contain anti-foreign violence. He was also instrumental in pushing through the legislative amendment which has toughened the country's previously liberal asylum law.

The Red Army Faction grew out of the 1960s student revolt. It waged a war of killings and kidnappings against West German politicians, industrialists and military leaders in the 1970s.

Most of its original members were captured and jailed but it recruited new militants. Its last killing was the murder in April 1991 of Mr Detlev Rohwedder, head of the Treuhand agency in charge of privatising ex-Communist east German companies.

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Irish under pressure on EC regional aid

By David Gardner in Brussels

THE IRISH government will this week come under strong pressure from its partners to lift its veto on the European Community's biggest regional development programme, worth Ecu157bn ($180bn) for 1994-99.

After 17 hours of often ugly disputes among the 12 on Friday and early Saturday morning over how to divide the spoils, Ireland blocked a deal. It held out for its full target of I£8bn ($11.5bn) against the I£7.5bn it was offered.

Mr Willy Claes, foreign minister of Belgium, which now holds the EC presidency, said "I'm waiting for a signal from the Irish government", reminding Dublin that it was blocking a package "three times greater than the global Marshall Plan" of US aid to reconstruct post-second world war Europe.

Mr Albert Reynolds, the Irish prime minister, said he had firm pledges of I£8bn immediately after last December's EC summit in Edinburgh, where the size of the package, but not how to divide it, was agreed. Since then he has been under intense domestic political pressure to deliver.

Unlike Spain, however, which got written assurances from the European Commission for the Pta6,400bn ($49.5bn) it now expects to get, Ireland's understanding was oral. Per capita, Dublin in the last share-out got 2 to 2½ times more than Spain, Portugal and Greece, with which it makes up the so-called "Cohesion Four" of the poorest member states.

Mr Dick Spring, Ireland's foreign minister, looking drawn at 4am on Saturday after protracted telephone negotiations with Mr Reynolds, said: "We were looking for assurances based on the understanding at Edinburgh, and they were not forthcoming. In the national interest, we felt we had no choice."

If the impasse is not broken this week, the rules governing the aid programme will miss their second reading by the European Parliament next week and be cast into a far longer procedure.

This means the aid will almost certainly not start flowing in January.

Nevertheless, the shape of the deal for Ireland's partners is emerging, even though the weekend negotiations were supposedly only on the framework.

Objective 1 regions, which get the best aid terms and biggest grants reserved for the EC's most backward areas, will get Ecu96.3bn. The "Cohesion Four" will get Ecu70bn of this, plus an additional Ecu15.5bn from a separate Cohesion Fund which has already started up.

The UK, the next poorest member state, got Merseyside and the Scottish Highlands and Islands included in Objective 1, with the latter accepted at the last minute as the whole "enterprise area" it encompasses, including therefore Argyll, Bute and West Moray. Northern Ireland was already eligible. But with this coup, and adding in its other funding entitlements, the UK could get £5bn to £6bn ($9bn) over the next six years.

Cantabria in northern Spain, and Hainaut in southern Belgium, like Merseyside traditionally industrial areas, were also reclassified as backward. France thereby secured Objective 1 status for its Valenciennes and Sambre-Avesnois areas bordering Hainaut, arguing that their problems were structurally identical even though they are not recognised as a department. Inventing a French Hainaut, a Frenchofficial said unimprovably, was "an existential problem."

Germany got its eastern states eligible for Objective 1 funding as part of the Edinburgh deal. But other stricken areas across the EC will get lesser Objective 2 structural aid grants, for areas in industrial decline. The UK, which opposed spending part of the package's money for training the unemployed on instead retraining workers in danger of losing jobs because of industrial restructuring,got the latter portion reduced from a third to a fifth of the still undecided total.

Armenians close in on Azeri town

By John Lloyd in Agdam, Azerbaijan

ARMENIAN forces from the territory of Nagorno-Karabakh yesterday closed in on the Azerbaijan town of Agdam which came under heavy shelling and is now likely to fall within the next 24 hours.

The defenders of the town, the bridgehead of Azeri defences, have been told by the Azeri government to hold the town at all costs.

However, they say that only 250 poorly armed reinforcements have been sent from Baku.

Almost all the villages around the town are now in Armenian hands and there is only one road out for the Azeris. The route is choked with refugees, mainly women, children and old men fleeing from the stricken town. According to Agdam officials last night the Armenians are already in the city suburbs. Shelling and small arms fire is continuous in and around the city centre and the defenders say there is little or no ammunition left for the few tanks they have.

Mr Alsif Sherimov, the deputy mayor, said yesterday that some 14 villages had been taken by the Armenian forces. He also said it now seemed impossible to hold the town. The new Azeri prime minister, Suret Guseinov, issued an urgent appeal for all men with military training to report for duty soon or face punishment.

"All Azeri soldiers must report for duty by July 8. Those who do not obey this call will face the heaviest punishment," he said in the appeal read for him on television.

Mr Guseinov, who became premier last week after after heading an army revolt against elected President Abulfaz Elchibey, said that able-bodied men should not join the column of refugees now streaming towards Baku.

The town hospital has been emptied of wounded who have joined the women and children in trucks and farm carts leaving the city. All around the villages are burning and the suburbs of the town are the site of pitched battles between the defenders and Armenian attackers.

Mr Sherimov and his colleagues, gathered in the town's administrative centre, while shells fell nearby, were bitter about the lack of support from the new government in Baku. Against the odds, they said that they would attempt to hold the town as long as possible.

Serb artillery shells Sarajevo

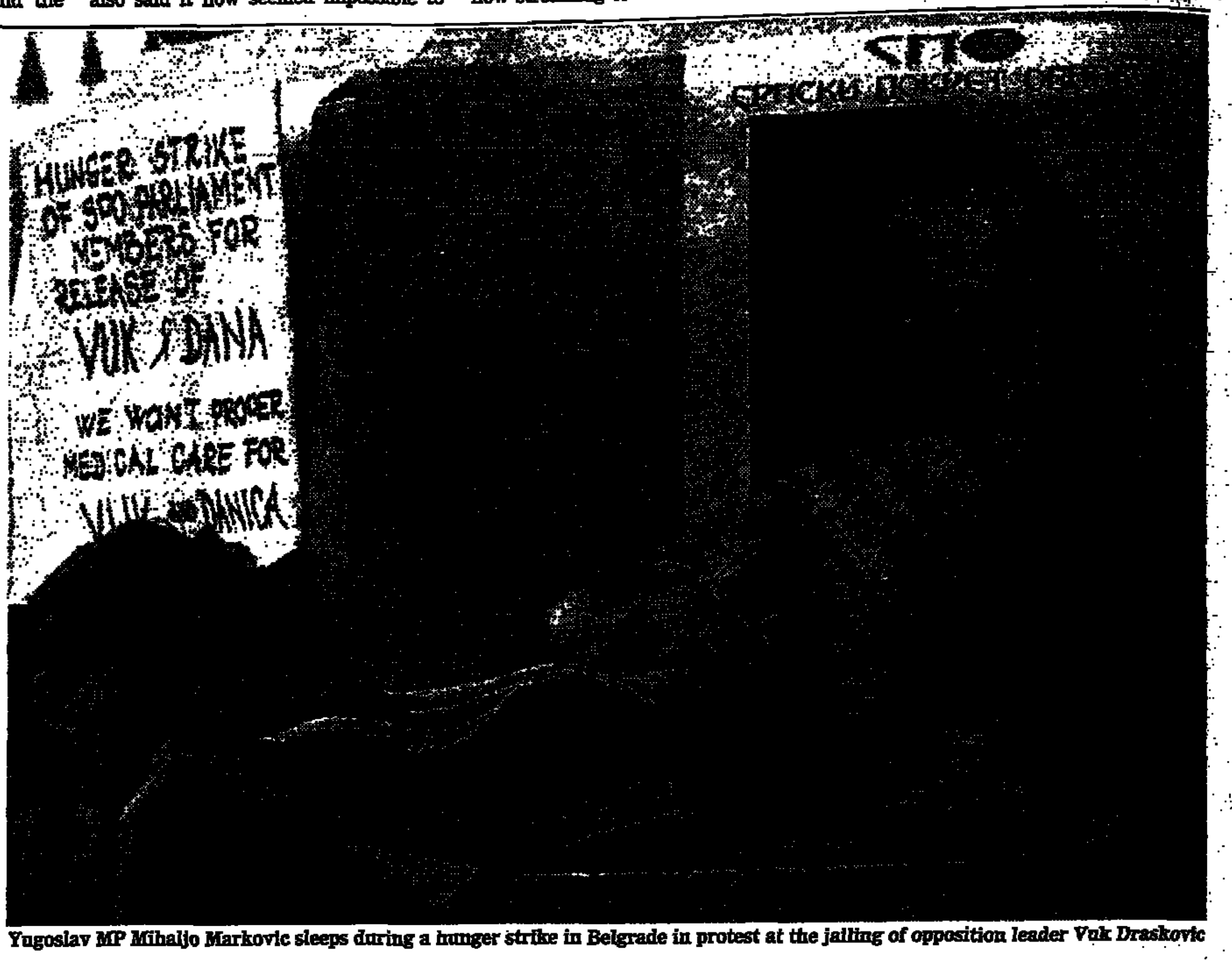
By Laura Silber in Belgrade

SERB forces yesterday pounded Sarajevo, the besieged Bosnian capital, as fighting between Croat and Moslem forces erupted on new fronts in central Bosnia.

Sarajevo radio said Serb artillery shelled several government-held parts of the battered capital. The bombardment followed the heaviest day of shelling in several weeks. United Nations monitors said over 1,000 projectiles landed on Serb-held and Moslem-held parts of the capital on Saturday.

Relief workers yesterday warned of an impending "catastrophe" in Sarajevo. Supplies of food and medicine have dwindled and conditions have deteriorated. Relief officials have expressed concern about outbreaks of typhoid and dysentery because there is no electricity to pump water.

In northwestern Banja Luka, Serbs pressed on with their campaign of terror against Moslems by blowing up four mosques, two of which dated from the 16th century. Ten out of 16 mosques around Banja Luka have been mined over the past year in the Serb stronghold.



Yugoslav MP Mihaljo Markovic sleeps during a hunger strike in Belgrade in protest at the jailing of opposition leader Vuk Draskovic

Bosnian radio said Croat forces yesterday began shelling Fojnica, about 25 miles northwest of Sarajevo. Croat radio accused Moslem fighters of starting the clashes. The Moslem-led army need to control the strategic towns of central Bosnia in order to link up territory to the bigger strongholds of Zenica and Tuzla.

UN monitors said fighting also continued around Mostar, to the southwest.

● In Belgrade, the Serbian capital, 35 opposition deputies joined a hunger strike in support of Mr Vuk Draskovic, the jailed leader of the Serbian Renewal Movement, the biggest opposition party. Mr Draskovic, badly beaten since his arrest on June 1, began his strike on Thursday to protest against plans by Serbian authorities to prosecute him.

Balladur hopeful for jobs

By Alice Rawsthorn in Paris

MR Edouard Balladur, the French prime minister, yesterday predicted that his economic regeneration plans should start to halt the rise in unemployment by the end of this year.

The prime minister said in a television interview that he planned to table legislation this autumn to liberalise France's notoriously strict labour laws. The reforms will include measures to reduce working hours, cut costs for employers and boost youth training schemes.

Mr Balladur plans to continue his job creation theme in the 1994 budget by reducing employers' contributions to family allowance payments, thereby making it cheaper for them to hire new staff. Other measures will include cuts in income tax in an attempt to stimulate the recession-struck French economy.

He also confirmed that the special government bond issue launched 10 days ago to finance his existing job creation programme had been "very well received". The issue, which is expected to raise at least FFr40bn (£4.7bn), is being heavily marketed as a precursor to the government's privatisation programme.

The proceeds of the issue will be ploughed into the FFr63bn economic regeneration package that Mr Balladur unveiled after his centre-right coalition took office in late March. The prime minister said those measures should start to take effect "around December or January".

French Socialists look to an uncertain future

By David Buchan in Lyons

"THE Left lives, and it can win again," Mr Michel Rocard, the French Socialist leader, yesterday told cheering delegates at the party's first conference since its crushing defeat in the March elections.

It was also the first time the Socialists had convened a meeting of their *Etats Généraux*, a term from pre-revolutionary France in which citizens met to present their grievances to the king – in this case, the Socialist leadership. So great is his distance from the party, and from Mr Rocard, that the absentee President François Mitterrand did not even send the Lyons gathering a message of support.

But there was little echo of Mr Rocard's pre-election call in February for a "big bang" recomposition of the French left, with the possibility of the Socialists merging with environmentalists and moderate Communists in a new party to confront the massive parliamentary majority behind Mr Edouard Balladur's government.

One left-wing Socialist leader called on Saturday for a Red-Pink-Green coalition, but the election has fractured the Greens and given the Communists enough seats to want to continue on their own.

The Socialists have also ruled out changing their party's name. Ironically, some of the Lyons delegates, who were not paid up party members but billed as "sympathisers", reproached the Socialists for being too timid to emblazon the Eurexpo conference centre with the party's traditional symbol of a red rose in a clenched fist.

In his concluding speech, Mr Rocard suggested the Socialists should hold regular *Etats Généraux*, acknowledging that in 10 years of power the party had become cut off from its grass roots and from the French electorate.

Over the three-day convention, the party leadership was accused of ignoring unemployment, of being arrogant and sometimes corrupt, and of factional warfare. Mr Rocard himself became the party's provisional head in early April by ousting Mr Laurent Fabius as party secretary. These two former prime ministers represent two of the many different "currents" in the party, the result of a proportional representation system which was originally designed to foster pluralism of ideas but which has long since degenerated into warring clans centred around rival candidates for the presidency.

This proportional system is unique to France, commented Mr Axel Hanisch, secretary general of European socialist parties, who addly acidly that "no one else in Europe wants to copy it". The powerful socialist federations of the Nord-Pas de Calais region want to move towards a majority voting system inside the party, which would at this stage consolidate Mr Rocard's hold on the party and his chance of being its presidential candidate in 1995. But such reform, and formal election of a new leadership, will be left to the party's regular conference in October.

On the key relationship of jobs and trade, Mr Rocard distanced the party from the overt protectionism that is growing inside the Balladur government. Mr Rocard urged that Gatt participants should commit themselves to conventions of the International Labour Organisation, and so raise their standards. "We should not stop importing the products of other countries," he said. "Rather, we should export our demands for basic economic and social rights."

From the brake to the accelerator, Page 11

NEWS IN BRIEF

Italians agree new framework for industrial relations

A NEW national Italian labour agreement was reached on Saturday after 40 days of negotiations between the government, Confindustria – the Confederation of Italian Industries – and the unions, Christopher Matthews writes.

The agreement provides a new framework for industrial relations and wages bargaining following last year's abolition of the *Scala Mobile*, the cost of living-linked automatic wages escalator established in 1945.

Prime Minister Carlo Azeglio Ciampi said the agreement "certainly contributes" to improving the conditions for the lira's return to the European Monetary System. And though he would not comment directly on the prospects of a reduction in the Italian bank rate, a drop of half or one point in the interest rate was widely expected by economists.

The agreement's main points include:

● A four year national contract to regulate labour relations. Wage increases to be kept within the projected inflation rate and reviewed every two years in light of effective inflation.

● Individual companies to raise wages only if they have made profits, and on the basis of productivity increases.

● Government, employers and unions will meet twice a year to define common objectives on inflation, GNP and employment levels.

● Once a national contract has expired and in the period in which a new one is being negotiated, only limited increases will be allowed for inflation.

● The hiring of trainees and apprentices will be simplified. Companies will also be able to hire staff on a temporary basis from new agencies to be created to "rent out" labour.

Ekofisk tax concessions wanted

Phillips Petroleum Norway is to seek substantial tax concessions before it invests $4bn (£2.6bn) in new petroleum production and processing facilities at the ageing North Sea Ekofisk field, hub of the world's largest petroleum transportation system, Karen Fossli writes from Oslo.

Phillips has unveiled a plan to avert closure of the 20-year-old field by Norwegian authorities, who are concerned over its safety. The US-based oil company has spent an estimated NKr70bn (£6.5bn) on the 10-platform field since it came on stream in 1972.

Last October the Norwegian Petroleum Directorate (NPD), the oil industry watchdog, warned it would close the main processing and transportation facilities on the Ekofisk storage tank, through which 40 per cent of Norway's petroleum production passes, by the winter of 1995-96, for safety reasons.

Olive branch from Estonia

Estonia has sounded a conciliatory note in its dispute with Russia and indicated that it would change the controversial aliens law which Moscow considers discriminatory, writes Matthew Kaminski from Tallinn.

Mr Mart Laar, the Estonian prime minister, said the legislation could either be returned to parliament for reconsideration or amended after President Lennart Meri has signed it into law.

The law, passed by parliament on June 21, obliges non- ethnic Estonians to choose Russian or Estonian citizenship within the year.

EC help on machine tools sought

Leaders of Europe's $16bn (£10.6bn) machine tool industry – parts of which are suffering their worst-ever recession – are seeking help from the European Commission to stave off competition from Japan and the US, reports Andrew Baxter.

Cecimo, the umbrella body for 12 European machine tool associations, has submitted a paper on a possible industrial policy for the sector to the Commission's DG III division, which covers internal market and industrial policy issues.

The document, due to be unveiled in September, represents the first attempt to create what Cecimo calls "a genuine unified European machine tool sector and not 12 countries looking at their own navel".

Fluctuating exchange rates main factor in European car price comparisons

THE EUROPEAN MARKET

European motorists pay for lack of competitiveness, writes **John Griffiths**

On May 1 this year Italy and Spain were easily the cheapest markets in which to buy most new car models, according to the first comparative European Community price lists for selected new cars, published last week at the behest of the European Commission.

A year earlier, the Commission's own study showed Spain as the highest priced market, with Italy third highest.

Early last year UK consumer groups were vocal in their condemnation of the excessively high prices asked of British motorists; Last week's lists show the British market to be the cheapest in Europe for many executive and luxury cars, and about the EC average for many "ordinary" vehicles. What has happened to change the picture?

The answer to the past year's price upheavals disclosed by the lists is to be found almost entirely within the currency markets – as the Brussels-based industry lobby group, the European Automobile Manufacturers' Association, leaped to point out the moment the comparisons were published.

What they have demonstrated conclusively, the EAMA trumpets, is that it is unrealistic to make meaningful price comparisons – let alone have "harmonised" prices – when some currencies remain so volatile. Between July last year and the middle of May, the main EMS currencies – German, French, Belgian, Dutch and Danish – rose 22 per cent against the lira (briefly touching 32 per cent in April), 20 per cent against the peseta, 17 per cent against sterling and 15 per cent against the Portuguese escudo.

"Manufacturers – particularly non-local manufacturers – cannot be expected to make instant double-digit price changes," the EAMA contends.

The lists come as close as possible to comparing "like for like" in terms of models and prices. They provide information on 55 European and 17 Japanese popular models, based on recommended retail prices, adjusted for equipment differences and with prices given in local currencies both before and after tax. Supplements for options such as air conditioning and power steering are given, as well as the premium for right-hand-drive models for the UK market.

Differentials are arrived at by converting the local currency prices into Ecus. As an EC-wide comparison, the lists have inbuilt compromises. One is that they take no account of the widely varying discounts available in individual markets. More important, the lists exclude Denmark and Greece, because local taxation – of over 100 per cent – is seen as excessively depressing pre-tax prices. But Ireland, the Netherlands and Portugal are included even though national taxation in each can add 50 per cent to the cost of a new car.

Manufacturers selling in these countries, too, have a strong incentive to keep pre-tax prices down in order not to have tax-inclusive prices beyond the reach of consumers. Given such an obvious distortion, the Commission indicated after last year's report that governments with such high tax regimes would have to be "leaned on" to reduce such large obstacles to the internal EC trade in cars.

But so far, there is no real sign that Brussels is doing any leaning. And until there is, the underlying probability remains that one government's high tax take on a car, and the manufacturer's low pre-tax price in that market in order to sell it, stand to be subsidised by a higher pre-tax price (and fatter manufacturer profit margin) in relatively low-tax countries like the UK.

And that consideration underlines the biggest flaw in the EC's drive for price "transparency". The lists should let consumers see at a glance roughly what they can expect to pay for given models in Europe's main markets and where to go for the best deal. Thus they now know that, for example, that there is no point going to Germany to buy an Audi 100, because it is cheaper in the UK, but they could save 35 per cent by buying various Fiats, Rovers, Vauxhalls and Volkswagens in Italy.

And with even consumer groups acknowledging that manufacturers are being less obstructive towards private cross-border purchases, taking advantage of cheaper markets should be no problem. But the lists cannot tell consumers what they *should* pay in each market, based on the fundamentals of manufacturers and their dealers receiving an equitable return on investment.

Not surprisingly, no manufacturer wants to disclose its exact profit – or loss – margin on each car in individual markets, particularly if, as is almost certainly the case, low-tax countries are shown to be higher-margin ones. But given the sea of red ink washing over most European producers, the tendency of consumer groups to see profiteering round every corner strikes a jarring note with many industry analysts.

As a number of studies have already shown, European car prices as a whole are high measured against those of Japan and North America. What this year's plunge in the European new car market has exposed is the signal failure of much of Europe's car industry to attack costs and efficiency during the boom years of the 1980s.

The bottom line appears to be that Europe's motorists are paying the price not of profiteering but of the lack of the European industry's competitiveness and the disparities in EC taxation and currency regimes.

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White gloves on as electioneering bout begins

By Robert Thomson in Tokyo

JAPAN'S politicians slipped on the white gloves and mounted their loudspeaker vans yesterday for the official start of an election campaign which is expected to end with the ruling Liberal Democratic party losing its control over the country.

The LDP and opposition parties presume that the July 18 election will lead to the formation of coalition government, which could hinder Japan's ability to respond to trade issues and delay a forecast recovery of the economy.

LDP officials are already courting opposition parties, but the head of the Japan New Party, Mr Morihiro Hosokawa, who is likely to make or break a new government, said voters had a unique opportunity to "say *sayonara* to the LDP".

The election was called after the LDP lost a motion of no-confidence, proposed after the party had stalled reforms to a scandal-stained political system, provoking one of its own factions to vote for the motion and then form a new party, the Japan Renewal party.

Heads of the Group of Seven leading industrialised nations meeting in Tokyo this week will find themselves surrounded by the campaign. They will be greeted by Mr Kiichi Miyazawa, the prime minister, in a mood to show Japanese voters that he is a leader of international stature. Mr Miyazawa launched the LDP campaign yesterday by warning that the country would be led into chaos by a coalition headed by the Social Democratic party, formerly known as the Japan Socialist party. Japanese politicians, some with no sense of irony, wear white gloves to prove they are clean.

"Will the Socialists close nuclear power plants? What will they do about our important neighbour, South Korea?" asked Mr Miyazawa, referring to unsettled policy issues in the SDP, which is attempting to hitch its campaign to the popular demand for political reform.

Most politicians said the campaign marked the beginning of a "new era" in Japanese government, which the LDP has dominated since its formation in 1955. But defections have left the party with only 285 candidates competing for 511 seats, suggesting it is unlikely to muster a majority.

The SDP is fielding only 142 candidates so it, too, will need to find partners to form a new government. There are many potential coalitions, with the JNP perhaps aligning with the LDP, if the party dumps Mr Miyazawa and appoints a new leader with better reform credentials.

Mr Tsutomu Hata, the former finance minister and LDP rebel who formed the JRP, campaigning in bare hands, said Japanese voters had an "appointment with destiny" at this election: "We have to change the Japanese political system and that change must come now."

Internal rows hit Socialist bid for power

By Robert Thomson

AFTER the ruling Liberal Democratic party was brought down last month, Mr Sadao Yamahana, leader of the country's Socialist party, confidently assured the US ambassador to Japan that an election win by his party would not create policy divisions between Tokyo and Washington.

A few days later, with closed-door condemnation from colleagues still echoing in his ears, Mr Yamahana headed down a different path, explaining his party "has its own foreign policies" and will take a different approach to the US from that of the LDP.

Mr Yamahana's clumsy performance was another sign to Japanese voters that his party, known as the Social Democratic party in English but still the *Shakaito* (Socialist party) in Japanese, has been unable to settle the ideological disputes which have ensured it is the natural party of opposition.

After a brief period in office in the late 1940s, the SDP has become the party the Japanese occasionally vote for when particularly annoyed by the excesses of the LDP. Following the Recruit scandal four years ago, when cut-price stocks were swapped for political favours, the party had a remarkable opportunity to capitalise on dissatisfaction with the LDP.

In the wake of the scandal, Ms Takako Doi led the party into an upper house election, denying the LDP a majority and heightening expectations of a similar result in the more powerful lower house. She appeared to have the authority to change the rigidly leftist policies which had alienated voters: the embrace of totalitarian North Korea, the refusal to recognise the existence of the Japanese military, and hostility towards the US.

At that moment Ms Doi may have had the authority, but she did not have the will. The brilliance soon faded, and the SDP left voters disappointed again. The party was then humiliated in a 1991 Tokyo gubernatorial election, where its candidate lost his deposit, and was crushed in a succession of local government contests.

It was paralysed by an internal argument over whether to form a shadow cabinet to demonstrate that it had the structure to replace the LDP in government. Instead, the party's factions argued over appointments and barely had time to debate policy changes or matters such as how to convert an LDP-dependent bureaucracy.

Wasted chances in the past and the emergence of new political groups have made Mr Yamahana and other SDP pragmatists realise the party no longer wins the protest vote. But as his backtracking on US relations showed, the watering down of traditional policies alienates the party's core supporters.

Both trends were behind the SDP's dismal performance in the Tokyo metropolitan assembly elections a week ago, when its representatives were cut from 29 to 14 and the local party chairman and general-secretary lost their seats. In contrast, the Japan New Party, contesting Tokyo elections for the first time, picked up 20 seats.

The SDP reaction was to move both forward and backward. Officials emphasised there had been no fundamental change in the traditional policies, and also promised to pursue more pragmatic policies in an attempt to prove the party was the real alternative to the LDP. One leader suggested that the "leftists holding us back can be counted like moles on a body".

But Mr Yamahana's problem is that most of the moles are in the upper part of the body. The pragmatists, those uncomfortable with the cosiness towards North Korea, are said to comprise more than 70 per cent of the party, but the remaining 30 per cent, the true believers, have an inordinate influence at the top of the hierarchy and, particularly, on policymaking committees.

These contradictions are reasons why voters may look elsewhere when protesting or genuinely seeking change on July 18. The SDP has 140 seats in the lower house, but the average estimate is that this will fall to fewer than 100, with votes diverted to the JNP, the New Party Harbinger and, perhaps, the rebel LDP group of Mr Tsutomu Hata, the former finance minister.

Apart from voting for the SDP, disgruntled voters have tended to register their disgust by not voting. The likelihood is that old-time SDP voters, confused by the recent policy twists and wary of the still opaque new parties, will stay at home, as some did during the Tokyo elections.

The SDP is getting itself in trouble because, on the eve on an election, the party is debating sensitive policies which should have been resolved over the past few years. Mr Yamahana, who recently replaced the indecisive Mr Makoto Tanabe, who in turn took over from the indecisive Ms Doi, finds himself attempting to hold together a party instead of exploiting the LDP's weakness.

選挙 Japan: making the choice

Population: 123m

Electorate: 93.4m

Parliamentary seats (lower house): 511

THE LEFT

SOCIAL DEMOCRATIC PARTY (SDP)

Party Leader Sadao Yamahana

Party still known in Japanese as the Socialist party: the name-change in English was easier than changes to party's Maoist/Leninist-flavoured policies. Party pragmatists want fresh policies and hope to form a vaguely left-of-centre government. Party ideologues see ruling as irrelevant but are proudly devoted to traditional beliefs.

JAPAN COMMUNIST PARTY

Party Leader Tetsuzo Fuwa

The least corruptible party because it is funded by individual contributions rather than corporations. Continues to defy history by espousing Marxism, and electoral logic by running a candidate in every district regardless of their prospects. The latter helps to take votes away from the other opposition parties, who cold-shoulder it.

THE CENTRE

KOMEITO (CLEAN GOVERNMENT PARTY)

Party Leader Koshiro Ishida

Party created by the Buddhist movement Soka Gakkai to represent its political interests. Now claims independence but closely linked to the movement. Conservative in nature. Assured of the votes of the Buddhist faithful, so tends to do relatively well if election turnout low. Close to LDP factions and has supported ruling party on important issues.

DEMOCRATIC SOCIALIST PARTY

Party Leader Keigo Ouchi

Party originally an offshoot from the Socialist Party but has acted much like a faction of the ruling LDP. Policies are indistinct but generally conservative. Party members tend to support the LDP when it needs extra parliamentary voting numbers. Has in the past attracted LDP voters wanting to register mild rebuke to the government.

SHAMINREN (UNITED SOCIAL DEMOCRATIC PARTY)

Party Leader Satsuki Eda

Party is a small pro-reform group trying to broaden its power base by poaching members of the SDP (above left), which is frustrated by its inability to reform itself. Eda, one of a long line of political Edas, has established the separate political study group Sirius with SDP members. This grouping could become yet another new party.

THE RIGHT

LIBERAL DEMOCRATIC PARTY (LDP)

Party Leader Kiichi Miyazawa

Party has held power since its formation in 1955 through the merger of two conservative parties. Its anti-communism and willingness to shelter beneath the umbrella of US foreign policy have been as enduring as its symbiotic relationship with business and the bureaucracy, the fierce rivalry among the leaders of its waning factions and its recurrent financial scandals.

SHINSEITO (JAPAN RENEWAL PARTY)

Party Leader Tsutomu Hata

Party formed last month by rebel LDP faction that brought down government in no-confidence motion. Hata, the former finance minister, is popular, but his offsider, Ichiro Ozawa, the former LDP fund manager, is regarded with suspicion. Party is middle-of-road but perhaps slightly to the right. Still, it talks of coalition with Socialists.

JAPAN NEW PARTY

Party Leader Morihiro Hosokawa

Hosokawa, popularly known as Lord Hosokawa, is the scion of one of Japan's oldest families and the darling of the media. He calls for a "power shift" to break up Japanese politics but is short on specific policies. He is close to the New Harbinger Party and loathes Ichiro Ozawa, co-leader of Shinseito (Japan Renewal party).

NEW HARBINGER PARTY

Party Leader Masayoshi Takemura

Splinter group formed last month from the LDP. The party has been searching for coalition partners, as its 10 parliamentarians felt vulnerable after their exit from the ruling party. Policies are similar to LDP, though the party has been purposefully vague, suggesting that it is "neither for or against the LDP".

Election pledges of change will reflect mounting public disquiet over the political system

Embarking on the long road to reform

By Charles Leadbeater

THE next Japanese government will attempt a sweeping reform of Japan's political system.

Political reform is the main campaign issue for the July 18 general election. All the opposition parties, old and new, are committed to the process. And the ruling Liberal Democratic party is almost certain to endorse it after the election. Last month's no-confidence vote was provoked by the party's opposition to reform; the government lost and was taught a painful lesson.

Yet political reform means different things to the various parties. Proposals range from a limited tightening of regulations on political funding to measures which could change the way Japan is governed.

Pressure for change has been mounting steadily. The Japanese public has been growing increasingly disillusioned with corruption and Japan's business and bureaucratic élites are concerned that the parochial, slow-moving system of government makes Japan ill-equipped to play a larger international role.

Yet in the short run the debate has stemmed from more base motives. The real battles of Japanese politics – fierce rivalries between leading politicians – are being played out through arguments over reform.

The proposals for change come in three main categories.

● Electoral reform. The difficulties of cleaning up political funding have focused attention on reform of Japan's distinctive electoral system, which dates from 1925. The electoral system is widely blamed for the corruption and parochialism of Japanese politics.

The 511-strong lower house of parliament is elected from about 130 large election districts, most of which return between three and five members of parliament.

To win a majority a party must run more than one candidate in each district. So LDP and Social Democratic party candidates compete with one another as well as against the opposition. To do this they need to maintain expensive, personal support groups.

As it is difficult for a candidate to be distinguished from party colleagues by ideology and policy, the candidate usually offers to bring public spending projects to the constituency. The main qualities most Japanese politicians offer their electorate are the skills and power to win favours from the government bureaucracy in Tokyo.

A politician needs the support of about 15 per cent of the electorate to win a seat, so if he targets his efforts repeatedly at the same sectional interests he will be re-elected.

The system creates both supply and demand for corruption. The donations come from construction companies which want politicians to press their case in bidding for public contracts and politicians want the money to maintain their local support groups. This does not merely make Japanese politics corrupt. It minimises the role of policy debates in distinguishing between candidates.

The multi-member electoral system is a prime target for reform. However, the proposals largely reflect the interests of the party putting them forward.

The LDP old guard proposed switching to a system of smaller constituencies, each electing a single member. Their reasoning was simple: as the largest, richest party the LDP would probably win a majority of the seats.

The younger reformers within the party and the opposition want a system which mixes 275 single-seat constituencies with a 225-seat proportional representation system, designed to protect the interests of smaller parties.

A voter would cast two votes, one for their local single-seat constituency and one in a ballot covering a wider prefectural area by proportional representation.

It is not easy to predict how such a system would affect the parties' standings. After the last general election in 1990 the Asahi Shimbun newspaper published 20 computer simulations of possible outcomes under different voting systems. The LDP won a resounding victory in all but four simulations, when the main gains were in the Japan Communist party's favour.

● *Funding.* All parties claim they want tougher controls on political funding to eliminate widespread corruption in the form of illicit corporate donations to individual politicians.

Politics in Japan is extremely expensive. Even though LDP candidates are not allowed to buy television advertising, each spends at least $500,000 (£333,300) on their campaign and about $60,000 a month on office expenses.

LDP politicians mainly raise this from corporate donations. But even after sweeping reform of the political funds law in 1975, Japanese politicians consistently find loopholes in regulations which were meant to clean up their finances.

The reform limited contributions which could be made to individual politicians. In response the politicians set up a multitude of supposedly independent organisations, which receive funds on their behalf. Drinks parties, the tickets for which sell for about Y30,000 (£190) a time, are popular because businesses can treat the tickets as a taxable expense rather than a political contribution. It is not uncommon for a politician to sell 2,000 tickets for a hall which only accommodates 900 people.

Reform of political financing will develop in two directions. First, stricter controls on corporate donations to individual politicians and more openness in general donations to party organisations. Second, increased government funding, which is limited to the costs of printing posters and the running costs of a campaign car.

● Urban voters. Japan's urban voters, who tend to be more cosmopolitan and less influenced by pork barrel politics, are significantly under-represented in the parliament. The disparities between rural and urban seats are huge.

In the last election Kanagawa District Four had 336,859 voters per MP, while Miyazaki District Four had 105,939. At the extreme, one rural vote was worth three urban votes. Some candidates won with only 45,000 votes while others lost with 122,000.

The over-representation of rural districts is estimated to give the LDP a 30-seat advantage. The Social Democratic party is also more strongly represented in rural areas than in cities.

Rebalancing the electoral districts so that urban voters are fairly represented would shift the balance of power in favour of younger centrist parties such as Komeito and the Japan New Party and away from both traditional parties.

The combination of political reform, the LDP's split, declining urban support for the Socialists and the rise of new centrist parties could change the map of Japanese politics.

Yet there will be important continuities. The local, highly personalised character of Japanese politics is like the root system of a tree. It is deeply embedded in Japanese society and will not change quickly.

CANDIDATES FOR LOWER HOUSE BY PARTY

Parties	Candidates: Incumbent	Former	New	Total	Women candidates	Pre-election strength
LDP	212	23	50	285	(2)	227
SDP	121	1	20	142	(10)	134
Komeito	25	1	28	54	(2)	45
Shinseito	35	3	31	69	(1)	36
Japan Communist party	15	10	104	129	(32)	16
DSP	12	8	8	28		13
New Harbinger party	10	0	5	15		10
USDP	4	0	0	4		4
JNP	0	0	55	55	(3)	0
Other minor parties	1	0	61	62	(10)	2
Independents	14	7	91	112	(10)	10
Vacancies	-	-	-	-		15
Total	449	53	453	955	(70)	512

One seat has been cut from the house of representatives, leaving 511 seats up for election this time. The LDP had 275 seats when the lower house was dissolved on June 18. Of the 275 members, 48 have since left the party.

PROFESSOR Gerald Curtis, probably the foremost western commentator on Japanese politics, offers this judgment about how Japanese politicians responded to the 1975 reform of political funding: "Japanese politicians rose to the challenge posed by these reforms by searching out every conceivable loophole in the law that might allow them to avoid having to change their time-tried ways of doing things.

"The reforms offered eloquent testimony to the difficulty of engineering political change in a society that has resilient political institutions and traditions.

"They demonstrated not only that the consequences of reform cannot be entirely anticipated, but that they often exacerbate the problems they are intended to correct and create others that are worse."

Waving the flag: A father and son in Tokyo yesterday attend Prime Minister Kiichi Miyazawa's first campaign speech

Kanemaru fires up New Party

THE man who has pledged to clean up Japanese politics yesterday kicked off his election campaign in Yamanashi – the old constituency of Mr Shin Kanemaru, disgraced godfather of the ruling Liberal Democrats (LDP), Reuter reports from Kofu.

Under a banner reading "Let's put Japan to rights from Yamanashi", Mr Morihiro Hosokawa, leader of the Japan New Party, said there could be no better place to start a clean-up.

"Needless to say we chose Yamanashi to start the campaign because of its scandalous political climate," he said in a speech to 2,000 supporters in Kofu, the prefectural capital.

"This is where the cosy relations between politicians and businessmen are at their worst."

Kofu, 100 km west of Tokyo in the shadow of Mount Fuji, radiates the prosperity of modern Japan. Its wide boulevards are lined with department stores, gleaming office buildings and trees and shrubs.

However, much of the wealth came from Mr Kanemaru's manipulation of a system under which politicians used their influence to benefit their most generous campaign donors. It is a system Mr Hosokawa and a generation of new politicians say they want to change.

Last week Fair Trade Commission investigators raided the offices of 30 construction companies in Yamanashi.

Experts on corruption said the move only became possible after Mr Kanemaru's clout over civil servants evaporated following his recent arrest on charges of massive tax evasion.

Prosecutors said the companies in question extended billions of yen in questionable donations to Mr Kanemaru. In return, they were believed to have been shielded from censure by civil servants.

When Japan's national railway wanted to build a track to test a proposed high-speed supertrain, Mr Kanemaru made sure it came to Yamanashi. Land prices shot up and made local farmers richer overnight.

Haiti prepares for Aristide

By George Graham in Washington

POLITICAL parties in Haiti will meet this week for a conference to prepare for the restoration of democracy, after exiled President Jean-Bertrand Aristide and General Raoul Cedras, the army chief, signed an accord on Saturday night.

The agreement, for which Mr Dante Caputo of Argentina was the United Nations mediator, provides for Father Aristide to return to Haiti by October 30. Gen Cedras is to retire from his position as head of the army and be succeeded by a nominee of the president. The latter will also name a new prime minister, to be confirmed by Haiti's parliament.

Mr Caputo's 10-point plan also provides for the creation, with foreign assistance, of a new police force, a presidential amnesty for those involved in the 1991 coup by which Gen Cedras ousted the president, and suspension of the economic embargoes against Haiti by the UN and the Organisation of American States.

The UN's imposition last week of an embargo on oil and arms shipments, as well a freeze on official financial assets, is thought to have been important in bringing Gen Cedras to the negotiating table.

Mr Warren Christopher, US secretary of state, yesterday said the US might contribute forces to police the return to democracy in Haiti, but probably fewer than 1,000. Most of the forces would probably come from French-speaking countries, he said.

US assistance is expected to top $1bn (£600m) over the next five years.

Negotiations for Fr Aristide's return to Haiti have proved long and difficult, and the mercurial Roman Catholic priest has almost exhausted the patience of UN and US negotiators. After Gen Cedras had agreed to the deal on Saturday, it was some hours before the president also signed.

The political impasse in Haiti has created strains in US policy, and the Clinton administration has exerted much pressure in recent weeks to bring about a settlement.

President Bill Clinton said during his election campaign last year that he would reverse President Bush's policy of returning Haitian refugees to their impoverished land. This year, though, he felt compelled to retreat from his promise.

President Aristide of Haiti (picture above) smiles at the prospect of his return home, made possible by Gen Cedras (seated right in picture left) signing a pact to restore democracy

Labour talks fail at Hyundai

By John Burton in Seoul

A BREAKDOWN in labour negotiations is threatening to cause widespread industrial action at Hyundai, South Korea's largest conglomerate.

Hyundai estimates that it has already suffered 262bn won ($330m) in lost sales since May, due to labour strife affecting Hyundai Motor, the largest automaker in South Korea, and Hyundai Precision, a container and jeep manufacturer.

South Korean President Kim Young-Sam has warned that he may be forced to make a "grave" decision concerning the labour unrest at Hyundai if it threatens to damage the nation's economic recovery.

The government has blamed the job action at Hyundai for a meagre 3.2 per cent rise in exports last month. Vehicles and containers are among Korea's leading export items.

Workers at five Hyundai companies, including Hyundai Motor, have already staged partial walk-outs.

The unions at four other Hyundai subsidiaries, including Hyundai Heavy Industries and Hyundai Mipo Dockyard, have voted to strike on Wednesday unless their demands for considerable wage rises, averaging 16 per cent, are met.

Hyundai estimates it could lose 158bn won from a two-week strike at Hyundai Heavy Industries, the nation's biggest shipbuilder.

The Hyundai trade unions are among the most militant and well-organised in South Korea. The concentration of Hyundai manufacturing facilities in the south-eastern city of Ulsan facilitates collective action among workers.

Prospects for settling the Hyundai labour dispute appeared good last week when workers at Hyundai Precision, which initiated industrial action within the industrial group, agreed to return to work. Mr Chung Se-yung, Hyundai chairman, then proposed to negotiate directly with other Hyundai union leaders on a final pay deal.

A meeting on Saturday was aborted when the unions insisted on a comprehensive settlement for all Hyundai companies. Officials wanted to conclude agreements on an individual company basis, in a bid to weaken the power of the Hyundai union alliance.

The labour dispute represents a key test for Mr Kim, a former dissident and the country's first civilian leader in more than three decades.

His implied threat to crack down on labour unrest reverses his government's recent moves to offer concessions to the union movement.

Pakistan's army stays neutral

By Farhan Bokhari in Islamabad and agencies

PAKISTAN'S army denied at the weekend that it sought to intervene in the country's political crisis, before the 16th anniversary today of the imposition of martial law by the late General Zia-ul-Haq.

The army insisted in a statement that it was neutral in the bitter six-month power struggle between President Ghulam Ishaq Khan and Prime Minister Nawaz Sharif, and denied that it had urged Mr Sharif to end the dispute or call elections.

Mr Nisar Ali Khan, petroleum minister and a special assistant to Mr Sharif, said the army had not raised the need for mid-term elections. But he said the army had expressed its concern, adding that this anxiety could be removed if the president were to step down. "The country can only have stability if the president leaves office," he said.

In the latest tensions between Mr Sharif and Mr Ishaq Khan, the government claims that the president is behind the refusal of the provincial government in Punjab to comply with a parliamentary resolution imposing direct federal rule on the province. The battle over the Punjab is now widely seen as the most difficult test for Mr Sharif.

It was the Punjab which was once seen as Mr Sharif's most important base and largely responsible for his political rise. Mr Altaf Hussain, provincial governor and Mr Manzoor Watoo, chief minister, have both defied Islamabad's initiative to seize control.

Vietnam ready with projects for finance

By Iain Simpson in Hanoi

VIETNAMESE planners have drawn up a long list of projects in great need of capital, which may be forthcoming if, as expected, the International Monetary Fund resumes lending to the country.

President Bill Clinton announced on Friday that the US was dropping its opposition to the clearing of Vietnam's $140m (£93m) arrears to the IMF. Under the Fund's rules, no new loans can be made until this outstanding amount is paid off.

However, France, Japan and Australia have already said they are ready to provide a bridging loan to meet this requirement.

Once this is finalised, economists at the IMF, the World Bank and the Asian Development Bank will be ready to start implementing plans they have been drawing up to help rebuild Vietnam.

Representatives from all three institutions have regularly visited Vietnam over the past two years and have held talks with Vietnamese economic planners on how to set priorities when the block on lending is lifted.

For the IMF, the priority will be to keep the economy on a steady path as the once-communist government brings in more elements of the free market.

That means providing budget support for the government to continue limited subsidies to individuals and companies until they are ready to face the harsh world of the market.

At the World Bank, the priority will be project lending to start work on the country's dilapidated infrastructure. Outside the main cities, roads are narrow and potholed, bridges are falling down and ports and rivers are so badly silted up that only boats with shallow draft can use them.

Power is another problem. Southern Vietnam, in particular, is very short of the electricity it badly needs to fuel its economic growth. Economists in Hanoi estimate the southern power shortfall at 20 to 30 per cent. A transmission line already being built between the north and south of the country will go some way to alleviate the problem but, as economic development picks up in the north, there will be less power to send south.

The Asian Development Bank said on Friday it was ready to approve loans worth $250m to Vietnam, as soon as the US had lifted its trade embargo on Hanoi.

Such a move is thought more likely following Mr Clinton's announcement.

Clashes mark strike over death of left-wing leader in Nepal

SPORADIC clashes marked a strike called by Nepal's left-wing opposition yesterday to press for the resignation of Prime Minister Girija Prasad Koirala, Reuter reports from Kathmandu.

Police said protesters had thrown stones at buses in the capital, Kathmandu. Police fired in the air to disperse rioters at the border town of Jitpur, about 90 miles south of Kathmandu, officials said.

There were no immediate reports of casualties in either town. Sunday is a working day in Nepal, but there was little traffic on the streets and offices, and shops were closed in response to the strike called by the Unified Marxist-Leninist party (UML).

The UML organised the strike to back calls for the reopening of an investigation into the death, in a road accident in May, of Mr Madan Bhandari, the party leader.

A judicial inquiry last month into the death found no foul play, but the UML says he was murdered.

A nationwide UML strike on June 25 led to days of violence in the land-locked Himalayan kingdom. At least 11 people were killed.

The UML says that the agitation will continue until the prime minister has been dismissed.

Egypt asks US for cleric's extradition

Mark Nicholson reports on problems posed for two governments by an Islamic preacher

EGYPT HAS asked the US authorities to extradite Sheikh Omar Abdul-Rahman, an Islamic preacher based in New Jersey, some of whose followers were arrested last month in a thwarted terrorist plot in New York.

He is facing trial at his native Fayoum, south of Cairo.

Mr Nagy Ghatrifi, Egypt's foreign ministry spokesman, confirmed a request had been made for the cleric's extradition, following weekend talks between Mr Amr Moussa, foreign minister, and the US ambassador in Cairo.

The request has been prompted by the ruling at the weekend by a judge presiding over the re-trial of the sheikh at Fayoum, where he and more than 40 others are facing charges of inciting and participating in a riot in 1989, when two Egyptian policemen were killed.

Judge Ahmed Izzat Ashmawi ruled that the sheikh must be arrested to face the re-trial in person. "We are asking for his extradition because the court has said he must be here to stand trial," said Mr Ghatrifi.

Sheikh Omar Abdul-Rahman denies links with terrorism, either in the US or in Egypt, but is viewed as spiritual leader of the extremist Gamaa al-Islamiyya, which claims responsibility for attacks on tourist targets and security forces in Egypt.

He has openly called for the overthrow of President Hosni Mubarak's government.

Eight of his followers were arrested last month. They are alleged to have been preparing explosives in an attempt to blow up the UN headquarters and two road tunnels. A further seven men, also associated either with the cleric or the New Jersey mosque at which he preached, have been charged in connection with the February bombing of the World Trade Centre in New York.

It is not clear how ardently Egypt wants Sheikh Omar Abdul-Rahman back in the country, where he might become a focus for Islamic militants

Sheikh Abdul-Rahman was acquitted in 1990 concerning the 1989 riot, but the Egyptian government this year ordered a re-trial under presidential prerogative. This began in April, and 19 of 48 accused face capital charges.

The sheikh surrendered himself to US immigration authorities last week for questioning about a deportation order before US courts since March last year.

US authorities have stressed that his detention is not directly connected with the Trade Centre bombing, or last month's intercepted terrorist attack, but it follows much publicity in the US associating the cleric with both incidents.

Extradition of the sheikh could pose legal and political headaches for Cairo and Washington. It is unclear whether any effective extradition procedure exists. For one thing, the countries have no direct extradition treaty, only an 1874 agreement signed between the US and the Ottoman empire, of which Egypt was then part.

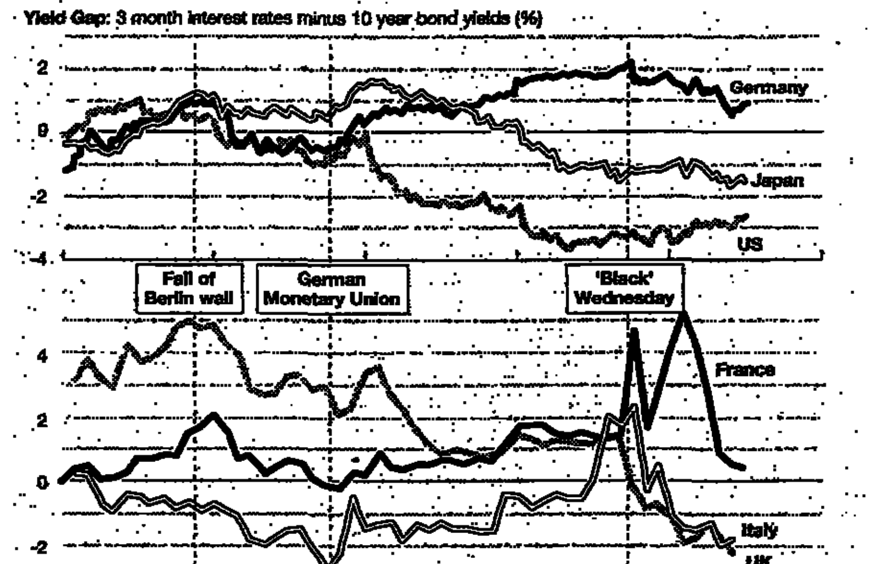
Also, it is not clear how ardently Egypt wants Sheikh Omar Abdul-Rahman back in the country, where he might become a focus for Islamic militants engaged in a campaign of anti-government violence. Egyptian officials had said that they did not want the cleric returned.

However, growing pressure in the US to deal with the controversial cleric, combined with the ruling on Saturday at Fayoum, appear to have forced the Egyptian government's hand.

Officials may now consider that it would be better to have Sheikh Abdul Rahman under close scrutiny in Egypt than elsewhere – particularly in the Sudanese capital Khartoum, from where he flew to the US in 1990 and where he might have more scope to inspire activity against the government in Cairo.

Divergent monetary policies in the G6

Yield Gap: 3 month interest rates minus 10 year bond yields (%)



Source: Datastream

Germany faces more pressure to ease interest rates

THE DECISION by the Bundesbank last week to lower the discount rate by half a percentage point, to 6.75 per cent, will ease the pressure from its disgruntled partners.

But the summit meeting of the Group of Seven leading industrial countries in Tokyo this week is still likely to be an uncomfortable occasion for Germany. Everyone will want to see more easing soon. This is quite understandable, since the easing so far has not been all that substantial.

This may seem surprising when the discount rate has been cut by two percentage points since last September, and the repurchase or "repo" rate has fallen 2.4 percentage points over the same period.

Yet, by one important measure, German monetary policy has hardly eased at all. As the chart shows, D-Mark three-month interest rates have remained above the yield on long bonds since shortly after German monetary union. France is the only other country shown in the chart for which this has also been true.

In virtually all market economies, central banks work by changing the price of money, rather than its quantity. When a central bank makes short-term interest rates higher than long rates (that is, creates a negatively sloped yield curve), it normally pushes the exchange rate up. But it also squeezes financial intermediaries. The mechanisms through which this works include:

- Elimination of the profitability of borrowing short and lending long at fixed rates of interest;
- Pushing creditworthy clients to borrow in bond markets instead of from banks;
- Reducing the incentive to borrow at short-term rates of interest and the profitability of those who must do so;
- Lowering desired holdings of inventories.

In the end, traditional credit-creating institutions are by-passed, lending is reduced, monetary growth falls and the economy goes into recession.

The charts trace the relationship of two significant points on the yield curve since 1989. They demonstrate how far the monetary policies of the US, Japan and Germany diverged after 1990. The US eased first, the maximum degree of easing being reached in the months preceding "black" Wednesday, which was also the period of maximum German tightness. As for Japan, it not only started to ease a year and a half after the US but, judged by the shape of its yield curve, by rather less.

The divergence between US and German monetary policy, along with the tightness of the latter, were the main reasons for the months of chaos in the ERM. The chart shows how the UK was unable to ease monetary policy from mid-1991, while Italy's policy was sharply tightened in mid-1992. As for France, it not only suffered tight monetary policy before September 1992, but tight and highly unstable monetary policy thereafter, reaching relative calm only in April 1993. Even so, its monetary stance remains far tighter than those of Italy and the UK today.

This makes little sense. France has low inflation. As the table shows, it also has a serious industrial recession and rising unemployment. Germany has experienced a still deeper industrial recession, though it does suffer from uncomfortably high inflation. As for Italy and the UK, their dismal industrial performances in 1991 and 1992 show they did need monetary easing.

G7 monetary policy is still in disarray. US monetary policy has been skilfully handled by the Federal Reserve over the last few years. The same cannot be said of anyone else's.

The Bundesbank's sins, though real, are at least venial compared to those of the politicians in Bonn. But the determination of the rest of the EC to stick to unchanged ERM parities after German unification was a signal error, one the French seem determined to persist with to the last gasp.

As for the Bank of Japan, its policies were eased too late and too little. It would be good to think this week's meeting of the G7 will mark the start of common sense on monetary policy.

Unhappily, the chances are close to zero.

Martin Wolf

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

	UNITED STATES					JAPAN				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.2	100.0	100.0	2.6	100.0	96.4
1986	105.5	100.9	6.9	98.0	107.0	106.5	99.7	2.8	94.3	106.4
1987	108.4	106.0	6.1	105.5	108.5	113.8	103.1	2.9	108.3	115.4
1988	112.1	110.7	5.4	108.1	112.6	122.8	112.9	2.5	135.9	122.7
1989	114.6	112.4	5.2	99.3	111.0	132.8	119.9	2.2	147.0	126.2
1990	115.0	112.4	5.4	84.5	108.9	142.0	125.3	2.1	149.8	124.1
1991	112.7	110.3	6.7	62.0	112.2	145.0	128.1	2.1	144.2	122.9
1992	117.7	112.9	7.3	60.4	117.3	140.3	119.0	2.2	124.2	123.2
2nd qtr.1992	2.6	2.8	7.4	60.5	113.8	−3.5	−7.1	2.1	127.1	122.3
3rd qtr.1992	4.0	1.7	7.5	60.1	114.5	−3.8	−7.8	2.2	121.1	122.9
4th qtr.1992	7.0	3.2	7.2	61.8	117.3	−5.0	−9.1	2.3	115.3	123.2
1st qtr.1993	3.1	4.4	6.9	62.2	117.9	−5.8	−5.8	2.3	115.1	125.4
June 1992	2.3	1.5	7.6	60.7	113.8	−6.5	−5.0	2.1	128.2	122.3
July	3.0	2.2	7.5	59.9	114.0	−1.0	−7.9	2.2	122.7	122.1
August	4.4	1.9	7.5	61.2	114.0	−4.8	−8.9	2.2	119.5	122.2
September	4.8	0.9	7.4	59.3	114.5	−6.4	−5.9	2.2	121.1	122.9
October	6.6	2.3	7.3	60.6	116.2	−1.8	−8.5	2.3	116.8	123.1
November	6.8	3.2	7.2	62.4	117.1	−6.7	−9.6	2.3	110.6	122.9
December	7.7	4.0	7.2	62.3	117.3	−7.4	−9.2	2.4	118.6	123.2
January 1993	4.3	4.6	7.0	60.4	118.0	−9.5	−8.7	2.3	109.5	124.1
February	2.6	4.4	6.9	63.5	117.7	−5.9	−6.8	2.3	112.6	124.8
March	2.4	4.3	6.9	62.8	117.9	−8.2	−2.0	2.3	123.1	125.4
April		3.7	6.9	62.9	117.3		−4.1	2.3	109.0	
May		3.5	6.8				−4.0			

	GERMANY					FRANCE				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	105.1	100.0	100.0	10.2	100.0	102.1
1986	103.4	102.2	6.4	136.4	105.0	102.4	101.1	10.4	107.2	109.2
1987	107.4	102.6	6.2	149.4	106.1	104.5	103.1	10.5	117.7	108.6
1988	110.5	106.3	6.2	164.8	112.2	107.9	107.3	10.0	134.9	113.7
1989	114.1	111.4	5.6	219.5	115.1	109.5	111.3	9.4	161.1	113.5
1990	123.5	117.2	4.9	261.0	115.8	110.1	112.9	8.9	186.0	108.3
1991	130.5	120.7	4.4	270.7	113.1	109.7	113.2	9.4	130.0	109.4
1992	127.7	119.1	4.8	259.6	106.9	108.9	113.1	10.2	110.6	107.3
2nd qtr.1992	−4.5	−1.0	4.7	271.4	112.0	−0.2	0.7	10.2	108.4	109.7
3rd qtr.1992	−2.1	−1.3	4.8	258.7	109.4	−0.4	−0.2	10.2	110.5	108.6
4th qtr.1992	1.2	−4.6	5.1	232.8	106.9	−1.4	−2.3	10.4	102.3	107.3
1st qtr.1993	−4.3	−9.8	5.5	210.9	107.5	−0.1	−3.4	10.6	97.1	105.4
June 1992	−6.6	−3.4	4.7	267.4	112.0	−1.6	0.3	10.2	115.9	109.7
July	−4.4	−2.2	4.8	263.6	111.4	−2.6	−0.6	10.3	112.0	109.5
August	−1.9	−0.7	4.8	260.3	110.8	−0.3	−0.6	10.2	111.7	109.2
September	0.2	−1.0	4.9	252.2	109.4	1.9	0.5	10.2	107.8	108.6
October	−1.9	−3.6	5.0	243.4	108.3	0.1	0.4	10.3	105.9	108.5
November	0.6	−5.8	5.1	232.0	107.3	−5.2	−3.3	10.4	102.5	107.9
December	4.9	−4.3	5.2	222.3	106.9	1.0	−4.0	10.5	98.8	107.3
January 1993	−7.3	−9.1	5.4	213.3	106.7	−0.1	−5.0	10.5	97.5	106.5
February	−3.8	−11.8	5.5	210.1	106.8	−4.0	−2.4	10.6	97.1	106.0
March	−1.6	−8.5	5.7	209.2	107.5	4.1	−2.9	10.7	96.5	105.4
April	−1.8	−9.0	5.8	209.2	107.7	0.9	−5.2	10.9	95.4	105.5
May		−7.9		206.8						106.7

	ITALY				UNITED KINGDOM					
	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	
1985	100.0	100.0	9.6	104.0	100.0	100.0	11.2	100.0	101.8	1985
1986	106.8	104.1	10.5	110.9	105.2	102.4	11.2	116.1	105.0	1986
1987	112.1	106.8	10.9	113.0	110.7	105.7	10.3	141.2	109.1	1987
1988	108.0	114.2	10.9	117.9	117.8	109.5	8.6	144.3	107.2	1988
1989	116.9	118.7	10.9	116.1	120.1	109.9	7.1	124.7	104.9	1989
1990	114.3	118.0	10.3	112.2	121.1	109.3	6.6	98.1	102.7	1990
1991	110.8	115.4	9.8	115.2	119.6	106.1	8.7	68.6	106.3	1991
1992	116.3	113.6	9.8	111.6	120.4	105.8	9.9	70.4	110.8	1992
2nd qtr.1992	9.3	−0.7	10.0	112.9	1.3	−0.2	9.7	69.5	109.4	2nd qtr.1992
3rd qtr.1992	2.9	−2.1	10.1	111.5	0.6	−0.3	10.1	69.9	108.7	3rd qtr.1992
4th qtr.1992	2.8	−3.8	9.3	111.6	1.6	0.7	10.4	71.5	110.8	4th qtr.1992
1st qtr.1993		−4.3	9.1	114.4	3.3	1.5	10.6	73.5	113.7	1st qtr.1993
June 1992	−4.7	−3.8	n.a.	112.9	0.6	−2.4	9.8	69.0	109.4	1992 June
July	2.3	−0.2	n.a.	112.5	−1.1	−1.3	10.0	71.8	108.9	July
August	1.3	−1.8	n.a.	111.9	1.0	0.2	10.1	70.7	108.5	August
September	5.1	−4.4	n.a.	111.5	2.0	0.1	10.2	67.3	108.7	September
October	2.5	−1.4	n.a.	111.2	2.1	0.8	10.2	68.7	109.6	October
November	5.7	−5.7	n.a.	111.4	1.6	0.5	10.4	71.0	110.2	November
December	0.3	−4.4	n.a.	111.6	1.0	0.7	10.6	74.7	110.8	December
January 1993		−3.9	n.a.	112.0	3.0	1.5	10.7	72.8	112.1	1993 January
February		−4.3	n.a.	113.4	2.9	1.7	10.6	73.0	113.0	February
March		−4.7	n.a.	114.4	3.9	1.4	10.5	74.6	113.7	March
April		−3.4	n.a.	114.9	2.5	0.9	10.6	74.8	114.5	April
May			n.a.		2.3			74.8		May

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series. Cyclical fluctuations in the composite leading indicator usually precede cyclical fluctuations in general economic activity.

هكذا من الأصل

Toray to open £50m Midlands textiles plant

By Daniel Green

TORAY, Japan's biggest textiles company, on Wednesday opens the east Midlands' second biggest ever inward investment project, after Toyota's Derby car plant.

A £50m weaving mill at Mansfield, Nottinghamshire, will employ 200 people in its early stages, rising to up to 400 within two years.

But the new jobs are likely to make little impact on Mansfield's unemployment, swollen to more than 6,000 by coalmine closures.

The highly-automated plant's output will help reduce the £42m polyester fabric import bill that Britain paid Japan last year. Toray also plans to export the UK-made fabrics to the rest of Europe.

The factory will take polyester filament and twist it a variety of ways before weaving it. This will create the most sophisticated textures in polyester fabrics available in the UK, according to Mr Colin Purvis, secretary-general of the British Apparel and Textile Confederation.

Most of the buyers of the cloth will be clothing suppliers to Marks and Spencer, the UK's biggest garment retailer. They will use it in mid-price to luxury items such as satin and crepe lingerie, blouses, dresses and skirts.

"This is good for the British textiles industry," said Mr Neville Bain, chief executive of Coats Viyella, Europe's biggest textiles company and a clothing supplier to M&S. "You've got much quicker response and a much shorter supply line for these fabrics."

Built next to the Mansfield colliery, which closed five years ago, the plant will eventually double Toray's fabric output in the UK to 39m metres a year.

The company's UK turnover should rise to £80m a year as the new plant joins others at Hyde, Cheshire, and Bulwell, Nottinghamshire, which Toray bought in 1989 from chemicals company Courtaulds.

Mansfield district council welcomed the investment as "a much needed breath of life into the local economy".

But Mr Philip Asquith, the council's head of economic development, warned that there would "not be a great deal of change in unemployment. There are 6,000 unemployed in the Mansfield district, a rate of more than 12 per cent".

More are likely to join the dole queues as the impact of recent coal mine closures takes effect, he said.

Toray's investment represents a return to the region's traditional strength in textiles. Competition from far eastern countries where labour costs are much lower has led to a series of factory closures over many years.

As late as 1981, 3,700 people were employed locally in textiles. Ten years later, the figure was 584.

Independent inquiry urged into Nadir affair

By Jimmy Burns

LORD SCARMAN, the former law lord, yesterday called for an independent inquiry into the Nadir affair as a fresh row surfaced over allegations of a £3.5m conspiracy to bribe the Old Bailey judge handling Mr Nadir's fraud trial.

Lord Scarman told the Financial Times: "Nothing that has been revealed so far gives any guidance to the truth. The only thing that has emerged is the necessity for a public inquiry. The matters which have been raised are much too serious."

Within the House of Commons, a majority of MPs, including in the opposition, share the government's view that parliament should not seek to interfere in the running of criminal justice.

However, responding to the Attorney General's public refusal last week to order such an inquiry, Lord Scarman said that the government had yet to produce "irresistible answers to a number of questions", which had been raised in recent weeks.

Mr Nadir yesterday renewed his public onslaught against the SFO and the police accusing them of conducting a campaign of "disinformation"" designed to discredit him.

In a statement issued to the Press Association from his home in Norther Cyprus where he is a fugitive from British justice, Mr Nadir said: "At no time whatsoever have I been involved in a plot to bribe Mr Justice Tucker."

His solicitors, Pannone and Partners of Manchester, broke with the normal legal practice of not commenting publicly on a criminal case while it is subject to trial. They claimed that the latest bribery allegations "hit directly at the criminal judicial system".

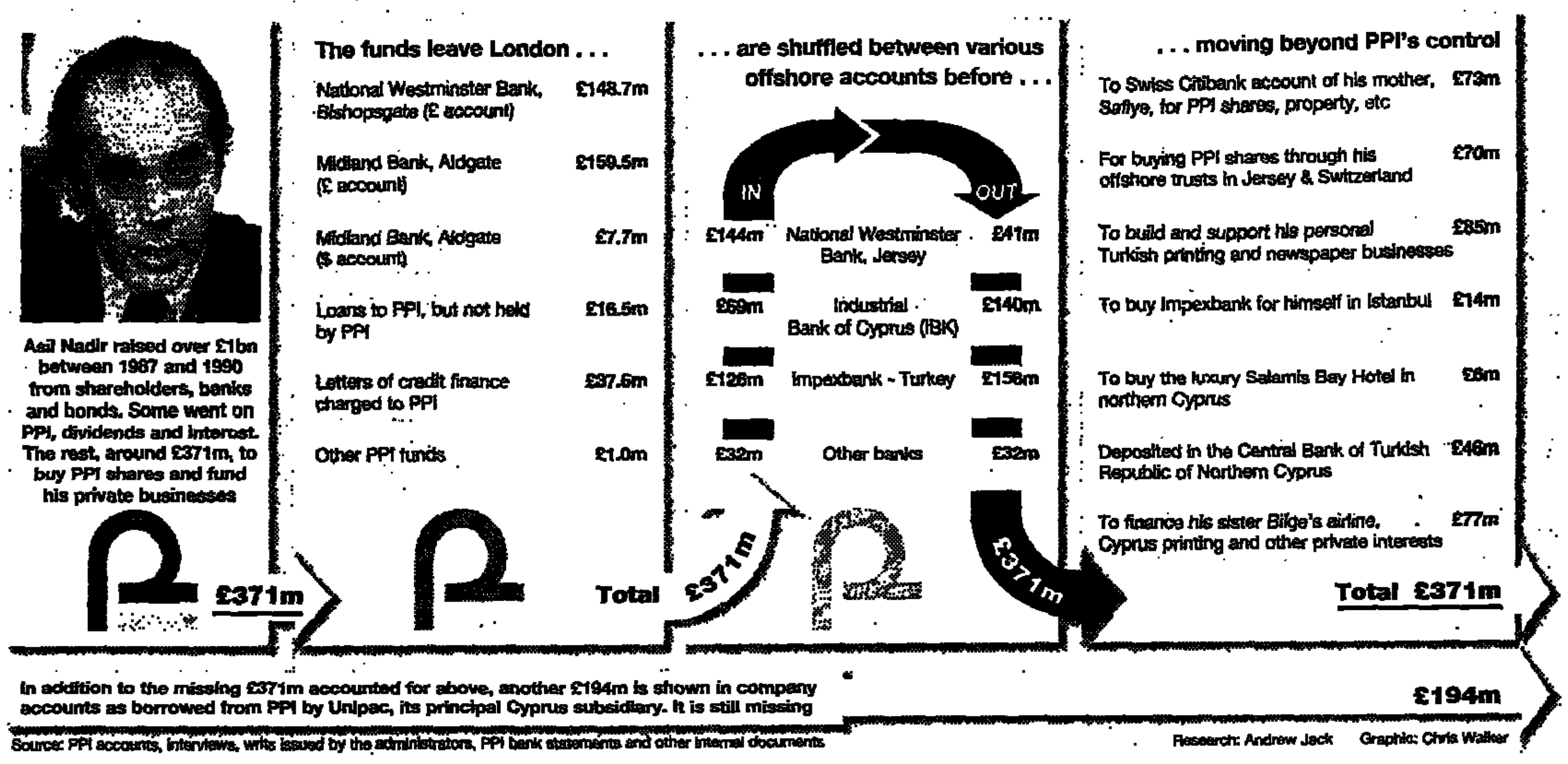
The Sunday Times newspaper yesterday reported on the alleged plot to bribe Judge Tucker, based on what the newspaper called "confidential transcripts of Nadir's pre-trial hearings earlier this year; a Serious Fraud Office legal document; and notes of an interview between Nadir and Scotland Yard officers".

Lord Scarman said that he still believed Mr Nadir could have a fair trial with or without a public inquiry.

● Mr Octav Botnar, former chairman of Nissan UK, yesterday pledged to return to the UK to face trial over allegations of tax fraud "as soon as I can". Mr Botnar, who is recovering from cancer at his home in Lausanne, Switzerland, told BBC TV's Breakfast with Frost programme: "If I would not do it, I would lose self-respect for myself."

He insisted he was innocent of the charges. He also claimed that he had donated only £90,000 to the Conservative Party and not £1m as some newspaper reports have claimed.

THE MISSING MILLIONS: HOW NADIR USED POLLY PECK MONEY TO FEED HIS PRIVATE EMPIRE



Source: PPI accounts, interviews, writs issued by the administrators, PPI bank statements and other internal documents. Research: Andrew Jack Graphic: Chris Walker

German chambers have more resources

CHAMBERS OF commerce in Britain have only a fraction of the resources available to their German counterparts, a study published today shows, writes Charles Batchelor.

British chambers have only one fifteenth of the resources of German chambers on average, while staff numbers are just one sixth of German levels. This means UK chambers often offer a far narrower range of services.

In spite of their limited resources, British chambers are active in helping their members develop business in continental Europe, their unit costs are lower and they are more commercial in their approach to the needs of business, the study says.

Official backing for the German chambers and the requirement for businesses to register with them make for a much larger organisation. German chambers have 3.2m members employing a total of 25m people. UK chambers of commerce and chambers of trade, with voluntary membership, have just 210,000 members with 4m employees.

In Germany all commercial, industrial, small and craft businesses must be chamber members, and chambers get much of their income from compulsory subscriptions, levies on local business taxes and fees for mandatory services such as training examinations and export documents.

Row blows up over holiday failures

A ROW over who should bear the cost of compensating the customers of failed holiday companies has broken out between the Civil Aviation Authority, credit card companies and the travel industry, writes Michael Skapinker.

Travel agents have complained that the CAA and Barclaycard have forced them to bear the cost of tour operator collapses. The holidaymakers have received full compensation as the failed operators had Air Travel Organisers' Licences issued by the authority. Where travellers had paid for their holidays by Barclaycard, the authority insisted Barclaycard bear the cost.

The Association of British Travel Agents says that 10 of its members complained that Barclaycard had, in turn, debited their bank accounts for the cost of the holidays. The travel agents said they should not be held responsible for the collapse of tour operators.

Although they have had to pay the full cost of the holidays, they only received commissions of between 5 per cent and 15 per cent at the time of sale. This was further reduced by credit card commissions.

Barclaycard said it had not debited travel agents' accounts. In some cases, it passed on the cost of compensation to the bank responsible for the agents' credit card transactions. Their own banks debited their accounts, Barclaycard said.

Labour leader and unions set to clash

By Philip Stephens, Political Editor

MR JOHN SMITH, Labour opposition leader, has set himself on a collision course with the trades unions at this autumn's Labour conference by refusing to budge from plans to reduce their collective role in the party's decision-making.

Mr Smith has underlined his determination that union participation in the selection of Labour parliamentary candidates could be exercised only through individual party membership of trades unionists.

This one-member-one-vote principle has already been rejected by a majority of the unions. The TGWU, the largest union affiliated to the party, will this week join others like the GMB in insisting that, as Labour's paymasters, they must retain a collective voice in the choice of candidates.

But Mr Smith said: "I did not become leader of the Labour party just to do easy things. I have the responsibility as leader to do what I think is right. And I will do it. Its my job to seek to persuade people. I am under no illusions that its an easy battle to win, but I am determined to win it."

Despite the threat of a humiliating defeat at the party's annual conference, where the unions hold 70 per cent of the votes, Mr Smith insisted that a decision could not be deferred for a further year: "I will fight on . . . I hope I will succeed in persuading people to adopt it at the conference."

Mr Smith rejected a compromise floated by some unions which would give votes only to those trades unionists who paid the political levy to their unions and were willing to sign a register of Labour supporters. He wanted instead individual trades unionists to join the party: "I think we have got to have people who choose to be members of the party."

With the arithmetic stacked against him, he is relying on a last-minute retreat by the unions, and on divisions between them, to avoid a damaging defeat.

ECONOMICS

Data may back German rate cut

A string of important economic figures in Germany will coincide with this week's Group of Seven summit in Tokyo. The statistics, expected to highlight considerable domestic weakness in Germany, will back up the Bundesbank's decision to shave interest rates last week.

In spite of the latest move by the German authorities, high European interest rates will be one of the issues preoccupying the prime ministers and finance ministers meeting in Tokyo. Even after the German cut, rates in continental Europe are perceived as being too high for this point in the business cycle and the US in particular has been urging Germany to ease monetary conditions.

West German manufacturing orders for May are forecast to be roughly unchanged on the previous month, while jobs data will probably show another big jump in unemployment. Ms Ruth Lea, chief economist at Mitsubishi Bank in London, believes there is a good chance that this week's data will indicate that the worst of Germany's recession is over.

"A fairly convincing case can now be made for suggesting that the rate of decline of west Germany's industrial production is slowing significantly. But I believe it is too early to suggest that industrial production may be rising on a trend basis," she said.

There are few figures in the UK this week, but the Treasury's panel of wise men issues its second report on the progress of the economy today. Consumer credit figures, also out today, will give some indication of consumers' willingness to borrow now that interest rates have come down.

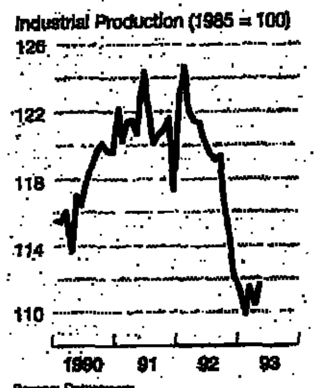
It is a relatively busy week for figures in the US. Car and truck sales in June are expected to have risen at roughly the same pace as in May. Consumer credit figures are forecast to confirm that consumer indebtedness as a proportion of income remains close to an all-time high.

The main economic statistics and events of the week follow. The figures in brackets are the median of economists' forecasts, from MMS International, a financial information company.

Today: UK, Treasury's seven "wise men" release second report on state of UK economy; May consumer credit (up £150m); June M0 (up 0.4 per cent on month, up 4.5 per cent on year). Spain, June official reserves. Germany, start of Bundestag summer recess, ends September 3. US, May home completions; auto sales June 21-30 (6.9m units), truck sales; Johnson Redbook week ended July 3; Independence Day – all markets closed; Japan, Bank of Japan quarterly branch managers' meeting in Tokyo.

Germany

Industrial Production (1985 = 100)



Source: Datastream

Tomorrow: Germany – west, June unemployment (up 35,000); May employment rate (down 55,000); June vacancies (down 4,000); Germany – east, June short time work (down 10,000), unemployment (down 20,000). US, FOMC meeting, lasting two days. Canada, June foreign reserves; April labour income (down 0.2 per cent on month). Tokyo, US, EC, Japan, Canada trade talks. Clinton, Miyazawa meeting in Tokyo. Australia, May retail trade (up 0.5 per cent on year). New Zealand, Q1 GDP index.

Wednesday: G7 summit meeting in Tokyo (continues until Friday). US, May wholesale trade. Canada, June Help Wanted Index (93).

Thursday: France, Q1 GDP. US, initial claims week ended July 3; state benefits week ended June 26; May consumer credit (up $2.5bn); money supply data for week ended June 28. Japan, Yeltsin, Miyazawa talks scheduled in Tokyo. Australia, June employment (unchanged on year), unemployment rate (10.8 per cent).

Friday: Norway, June CPI (up 0.2 per cent on month, up 2.4 per cent on year). US, FOMC minutes of May 18 meeting in Washington released. Canada, June employment (up 0.1 per cent on month), unemployment rate (11.3 per cent); May motor vehicle sales; June housing starts (up 155,000 units).

During the week: Germany, May manufacturing orders (flat on month); March trade balance (DM1.7bn surplus), current account (DM4bn deficit); May retail sales (down 1 per cent on year). France, May M3. Netherlands, June CPI (down 0.1 per cent on month, up 2.2 per cent on year). Switzerland, June CPI (up 3.4 per cent on year). Belgium, June unemployment rate (12.2 per cent).

Emma Tucker

RESULTS DUE

Profit fall likely at Scottish & Newcastle

Scottish & Newcastle is expected to report full-year pre-tax profits today of about £202m compared with £221m for the previous 53 weeks. The results will reflect lower property profits and exceptional costs of cutting staff. Growth at Center Parcs is unlikely to make up for tough trading in the brewing and retailing sectors.

Dixons, the electrical goods retailer, is expected on Wednesday to report pre-tax profits of about £80m for the year to April, up from £70.8m a year earlier. Some increase in UK profits will be offset by continuing US losses. Investors hope to hear further plans for turning round the Silo chain in the US. At best a minimal dividend increase is likely given the low cover.

Taunton Cider should brighten the market on Wednesday with forecast profits of £17.5m for its first full year after flotation. The cider market grew during the past year at close to 8 per cent against a 3 per cent decline in beer, and Taunton's brands were well placed at the premium end of the market.

Greene King, the East-Anglian based brewer, is expected to report full-year profits little changed at £20.3m on Thursday. Growth in the free trade is believed to have slowed, and though the company's managed pubs have performed well, beer sales are down in the tenanted houses.

Howden Group, the Glasgow-based engineering company, is expected on Wednesday to report flat annual profits of about £18m, after being adversely affected by exchange rate movements.

Wednesday brings annual results from Budgens, the small UK food retailing chain in which Rewe, one of Germany's largest food retailers, bought a 26 per cent stake in April. Budgens is expected to have increased pre-tax profits from £4.5m to between £6.5m and £9m and to resume paying a dividend. Interest will focus on the Germans' intentions towards the group, which management is trying to reshape.

PARLIAMENTARY DIARY

■ **TODAY**
Commons: Questions to social security ministers, church commissioners and Lord Chancellor's department.
Debate opened by opposition on "the continuing closure of coal mines".
Payment of the Coal Subsidy Order.
Coal Industry (Restructuring Grants) Order.
Lords: Railways Bill, committee.
Local Government (Amendment) Bill, third reading.
Channel Tunnel (International Arrangements) Order.
Civil Defence (General Local Authority Functions) Regulations.
Civil Defence (General Local Authority Functions) (Scotland) Regulations.
■ **TUESDAY**
Commons: Health questions.
3.15pm questions to the prime minister – Commons leader Tony Newton stands in for Mr Major who will be at G7 summit.
European Parliamentary Elections Bill, committee.
Debate on Special Grant Report.
Lords: Education Bill, third reading.
Select committees: National heritage. Subject: the future of the BBC. Witnesses: Mr Richard Branson, Mr Richard W Carlson, BBC world service. (10.30am, room 15).
Treasury and civil service sub-committee. Subject: the role of the civil service. Witness: Mr William Waldegrave, chancellor of the duchy of Lancaster. (11.00am, room 8).
■ **WEDNESDAY**
Commons: Scottish questions.
European Parliamentary Elections Bill, remaining stages.
Fishing Vessels (Decommissioning) Scheme.
Lords: Crofters (Scotland) Bill, committee.
Scottish Land Court Bill, committee.
Railways Bill, committee.
Debate on identity cards.
Select committees: Trade and industry. Subject: competitiveness of UK manufacturing industry. Witnesses: society of motor manufacturers and traders, GKN, and Nissan. (10.30am, room 15).
Welsh affairs. Subject: public expenditure, education. Witness: Sir Wyn Roberts, Welsh office minister of state. (10.30am, room 8).
Defence. Subject: army training. Witnesses: ministry of defence officials. (10.50am, room 16).
Social security. Subject: the operation of pension funds. Witness: Mr Andrew Large, chairman, securities and investments board. (3.15pm, room 21).
Foreign affairs. Subject: Unesco. Witness: Mr Douglas Hogg, foreign office minister of state. (4.00pm, room 18).
Transport. Subject: aircraft noise. Witness: airfield environment federation. (4.00pm, room 17).
Treasury and civil service. Subject: the role of the Bank of England. Witnesses: Lord Lawson, Lord Healey (4.15pm, room 8).
Science and technology. Subject: the routes through which the science base is translated into innovative and competitive technology. Witnesses: Ford motor company, Group Lotus, and Lucas Automotive. (4.45pm, room 8).
Employment. Subject: the work of the equal opportunities commission. Witness: Kamlesh Bahl, chair, equal opportunities commission (5.00pm, room 20).
■ **THURSDAY**
Commons: Agriculture questions.
3.15pm questions to the prime minister – Commons leader Tony Newton stands in for Mr Major who will be at G7 summit.
Estimates debate on occupational pensions, social security aid to occupational pensions advisory service and Maxwell Pensioners' Trust and education spending plans.
Lords: Leasehold Reform, Housing and Urban Development Bill, Commons amendments.
National Lottery Bill, committee.
Sexual Offences Bill, committee.
Representation of the People Bill, second reading.
Select committees: National heritage. Subject: the future of the BBC. Witnesses: justices' clerks society, television licensing unit, the radio authority. (10.30am, room 15).
Agriculture. Subject: the effects of conservation measures on the UK sea fishing industry. Witnesses: Mrs Gillian Shephard, minister of agriculture, fisheries and food, Mr Michael Jack, minister of state, Mr C R Cann, head, countryside, marine, environment and fisheries department, ministry of agriculture, fisheries and food, and Mr G Robson, fisheries secretary, Scottish office, agriculture and fisheries department. (10.45am, room 8).
■ **FRIDAY**
Commons: Debate on tourism and deregulation.
Lords: Appropriation (Northern Ireland) Order.
Northern Ireland Act (Interim Period Extension) Order.
Army, Air Force and Naval Discipline Acts (Continuation) Order.
Fishing Vessels (Decommissioning) Scheme.
Debate on regulation of Lloyds of London.

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Gates (Frank G.), Elmhurst Conference Centre, Queen Mary College, 98 High Rd, Woodford, Essex, 12.00
Value & Income Tst., 45 Charlotte Square, Edinburgh, 12.15
Whitbread Inv. Co., The Brewery, Chiswell St, EC, 12.30
BOARD MEETINGS:
Finals:
Abtrust New Dawn Inv. Tst.
Bromsgrove Inds.
Carclo Engineering
Creightons Naturally
Midlands Electricity
Scottish & Newcastle
Interims:
Fyffes
Gardiner Grp.
Lee (Arthur) & Sons

■ **TOMORROW**
COMPANY MEETINGS:
Abtrust New Thai Inv. Tst., 99 Charterhouse St, EC, 12.30
Casket, The Roundhay Room, Holiday Inn, Wellington St, Leeds, 10.30
German Inv. Tst., 48 Chiswell St, EC, 2.30
BOARD MEETINGS:
Finals:
Asprey
Avesco
Colefax & Fowler
Evans of Leeds
Farepak
Howden Grp.
Sims Food
Sterling Publishing
Interims:
Eurotherm
Jersey Electricity
P & P

■ **WEDNESDAY JULY 7**
COMPANY MEETINGS:
Atkins Grp., Old Cottages, Lower Bond St, Hinckley, Leics., 10.00
Borthwicks, Founders' Hall, 1 Cloth Fair, EC, 11.30
Deras Estates, The Great Eastern Hotel, Liverpool, 12.00
Edinburgh Inv. Tst., Caledonian Hotel, Princes St, Edinburgh, 12.00
R.E.A. Hldgs., 7 Bedford Square, WC, 10.00
Sainsbury (J.), Queen Elizabeth II Conference Centre, Broad Sanctuary, SW, 12.00
Sketchley, Gaiziers' Hall, 9 Montague Close, SE, 12.00
TDS Circuits, Whitebirk Estates, Blackburn, 12.00
BOARD MEETINGS:
Finals:
Bespak
Budgens
Dixons
EFM Japan Tst.
First Spanish Inv. Tst.
Fleming Geared Income
Fleming Intl. High Income
Hadleigh Inds.
Joseph (Leopold) Hldgs.
Reg Vardy
Taunton Cider
Tops Estates
Interims:
Torex Hire

■ **THURSDAY JULY 8**
COMPANY MEETINGS:
Allied-Lyons, London Hilton Hotel, Park Lane, W, 11.30
Brown (N.) Grp., Ramada Renaissance Hotel, Manchester, 2.30
Chesterfield Properties, 38 Curzon St, W, 11.30
Channel Hldgs., Insurance Hall, 20 Aldermanbury, EC, 12.00
First Ireland Inv. Co., Old Jury, EC, 12.00
Parkland Textile (Hldgs.), The Forte Crest Hotel, Bramhope, Leeds, 11.30
Proteus Intl., Proteus House, Lime Green Business Park, Macclesfield, 12.00
Smith (James) Estates, Cisswood House, Lower Beeding, Nr Horsham, W. Sussex, 11.30
Westbury, Golden Valley Hotel, Gloucester Rd, Cheltenham, 12.00
BOARD MEETINGS:
Finals:
Associated British Engineering
Banner Homes Grp.
British Bloodstock
Burtonwood Brewery
Darby Grp.
Equity Consort Inv. Tst.
Gibbons Lyons
Gold Greenless Trott
Greene King
Peel Hldgs.
Stewart & Wight
Interims:
Dewhurst
Hawtin
Microgen Hldgs.

■ **FRIDAY JULY 9**
COMPANY MEETINGS:
Europa Minerals Grp., 1 Mitre Square, EC, 11.00
Ingham, Royal York Hotel, Station Rd, York, 12.00
Jove Inv. Tst., 99 Charterhouse St, EC., 12.30
Vosper Thornycroft, Victoria Rd, Woolston, Southampton, 2.30
BOARD MEETINGS:
Finals:
Brown & Tawse Grp.
Latham (James)
Pelican Grp.
Upton & Southern Hldgs.

Company meetings are annual general meetings unless otherwise stated. Reports and accounts are not normally available until about six weeks after board meetings to approve preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Abbey Natl.Treas.Services 11.8% Gtd. Nts. 1996 Lire590,000
Bankers Inv.4% Perp. Db. £2
Barr & Wallace Arnold Tst.7p
Do. A Non-Vtg. 7p
Beattie (J) A (Res. Vtg.) 4.6p
Bett Bros 0.5p
Bowthorpe 4.57p
BP Devel.Aust.11¾% Gtd. Nts. 1994 L587,500
Castle Comms.4p
Croda Intl. 5p
Croydon Corp. 3½% £1.75
Dunedin Worldwide Inv. Tst. 2.4p
Farnell Elects.3.4p
Forward Grp. 2p
Gaskell 2.75p
Gencor 8% Gross Cm. Pf. R0.06
Guardian Royal Exchange 4.5p
Harrisons & Crosfield 5.4p
Hepworth 9.35p
Hughes (T.J.) 1.55p
Kingfisher 9.5p
Leeds & Holbeck Bldg. Soc. Sub. Fltg. Nts. 2001 £42,015.82
London Atlantic Inv. Tst. 2.29p
Met. Water Board Staines Reservoirs 3% Gtd. Db. £1.50
M.M.T. Computing 1.25p
National Westminster Bank 12½% Sub. Un. Ln. 2004 £6.25
NFC Var. Voting 1.35p
Nihon Doro Kodan 9½% Gtd. Bds. 1996 Ecu91.25
Pacific Dunlop A$0.105
Peek 2.35p
P & O 11½% Bds. 2014 £1,150
Rolls-Royce 2.45p
Scottish American Inv. Co. 1.14p
Tokyu Land Corpn. 8.1% Bds. 1996 Y810,000
United Kingdom 2½% Ann. £0.625
Do. 2¾% Annuities £0.6875
Do. 2½% Consd. £0.625
Warner Howard 0.36p
Yule Catto & Co. 3.4p
Do. 11.5% Cm. Rd. Pf. 1998/2003 5.75p

■ **TOMORROW**
Anglo American Gold Inv. R5
Black (A. & C.) 9.25p
Blockbuster Ent. Corp. $0.025
Blue Circle Inds. 6¼% Un. Ln. £3.125
British Telecomms. 9¼% Nts. 1993 £92.50
Centex Corp. $0.05
Colman (E. A.) Invs. 8% Un. Ln. 1991/96 £4
Courtaulds 3.5% Cm.1st Pf. 1.75p
Do. 5½% Un. Ln. 1994/96 £2.75
Electrocomponents 5.9p
E-Systems $0.275
Ferguson Intl. Hldgs. 8.25p
Gates (Frank G.) 2.25p
Huntingdon Intl. 0.875p
Morgan Crucible 6.85p
Neste 9¼% Bds. 1999 $462.50
Nurdin & Peacock 4.16p
Platinum Intl. Finance A Fltg. Rate Nts. 2003 Y1,085,486
QS Hldgs. 3.63p
Reckitt & Colman 10.25p
Smith (W.H.) 5¼% Rd.Un.Ln. £2.5625
Do. 7¾% Rd. Un. Ln. 1988/93 £3.875
Smith & Nephew 2.82p
Value & Income Tst. 1.8p
Whitbread 7¾% Un. Ln. 1995/2000 £3.875
Do. 10½% Un. Ln. 2000/05 £5.25

■ **WEDNESDAY JULY 7**
Abtrust New Thai Inv. Tst. 1p
BMSS 3p
Bourne End Properties 1p
British Assets Tst. 1.07p
British Gas 7.8p
Browning-Ferris Inds $0.17
Clarkson (Horace) 1p
Critchley 4.8p
European Coal & Steel Ecu Bds. 1994 Ecu76.25
German Inv. Tst. 0.4p
Harrington Kilbride 3p
Lee (Arthur) & Sons 4p
Marubeni America 8% Var. Red Nts. 1993 Y8,000,000
Morland & Co. 2.79p
Proudfoot 6p
River & Mercantile Tst. 2.25p
Scottish National Tst. 1.55p
Scottish Value Tst. 0.85p
Shani 1.8p
Sketchley 2p
Starmin 0.2p
Sweden (Kingdom of) 8½% Bds. 1994 $408.25

■ **THURSDAY JULY 8**
Albion 1.6p
Edinburgh Inv. Tst. 5.55p
German Smaller Cos Inv. 2p
Inter-American Dev. Bank 12½% Ln. 2003 £6.25
Metropolitan Est. & Prop. Intl. Fltg. Nts. 1995 Y197,969
Norsk Hydro 9.625% Nts. 1998 Ecu96.25
Warburg (S.G.) Cap. Fltg. Nts. 2006 $188.54
Westpac Banking Corpn. A$0.06
Willoughby's Cons. Pf. $0.1341

■ **FRIDAY JULY 9**
AAF Inds. 6p
Berry Birch & Noble 3.3p
Burmah Castrol 16.5p
Carr's Milling Inds. 1p
Channel 1p
Chesterfield Properties 7.5p
City Merchants High Yield 2p
Drayton Blue Chip Tst. 8.495p
EIS 8.775p
Ferraris 0.76p
First Ireland Inv. Co. 1.44p
Greenalls 5.08p
Ingham 4.5p
Kansai Intl. Air. 8.5% Gtd. Bds. 1998 $85
Magellan Inds. 1.4p
Metro Radio 1.5p
Mezzanine Cap & Income Tst. 2001 7.25p
M & G Second Dual Tst. 10.67p
Morgan (J.P.) 13% Nts. 1993 C$130
Morris (Philip) $0.65
Mowlem (John) & Co. 2p
National Australia Bank A$0.24
New Zealand Inv. Tst. 0.5p
Parkland Textile (Hldgs.) 1p
Do. A Non-Vtg. 1p
PCT 4.75p
Radio Clyde 3.6p
Reed Publishing 9¼% Gtd. Bds. 1997 $982.60
Salomon Auction Rate Nts. 1995 $871.11
Skandia Capital Gtd. Fltg. Nts. 1995 $816.75
Smith (James) Estates 2.8p
Walker Greenbank 1.9p

■ **SATURDAY JULY 10**
Apollo Metals Cm. Cv. Rd. Pf. 4p

CONFERENCES & EXHIBITIONS

JULY 9
Bad Debts - Ways of Making a Debtor Pay
Fair or Unfair Dismissal
Donald B Williams BA LL.B. a recorder and Chairman of Industrial Tribunals, co-author of Bad Debts - Prevention & Cure, leads two half days courses. (Law Society approved). Suitable for solicitors, debt collectors, personnel managers, etc.
Contact: Nigel Grizzard GC Legal Training Ltd. Tel: 0532 736703
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Course Tutors are Partners and Senior Managers in the Corporate Recovery and Insolvency Department of Stoy Hayward, Manchester at this full day course for solicitors and legal staff. (Law Society approved).
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JULY 14
Taking Your Business Into Franchising
Potential franchisors should attend this Stoy Hayward Franchising Services seminar which looks at expanding a business through franchising. Sessions cover the franchise market; setting up a pilot operation; developing the franchise package; the legal agreement; and the role of the banks. Enquiries: Amanda Griggs, Stoy Hayward Franchising Services
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INTERNATIONAL

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Contact Karen Pedersen, Euromoney
Tel: 071-779 8831 Fax: 071-779 8835
CANCUN, MEXICO & CUBA

JULY 18-24
11th International Cocoa Research Conference
Organised by the Cocoa Producers' Alliance and the Government of Côte d'Ivoire. Cocoa Trees: integrated pest and disease management (IPDM) Invited speakers will deliver papers on various aspects of the theme. Inscriptions: Comite d'organisation de la 11e Conference
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Fax (225) 21 46 18 Cote d'Ivoire
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(Déldunántúli Power Distribution Company Ltd.
7626 Pécs, Rákóczy 73/B.)

Délmagyarországi Áramszolgáltató Rt.
(Délmagyarország Power Distribution Company Ltd.
6720 Szeged, Klauzál tér 9.)

Északdunántúli Áramszolgáltató Rt.
(Északdunántúli Power Distribution Company Ltd.
9027 Győr, Kandó Kálmán u. 13.)

Északmagyarországi Áramszolgáltató Rt.
(Északmagyarországi Power Distribution Company Ltd.
3525 Miskolc, Dózsa György u.13.)

Tiszántúli Áramszolgáltató Rt.
(Tiszántúli Power Distribution Company Ltd.
4024 Debrecen, Kossuth u.41.)

Scope of Activity of Companies: to deliver, purchase, distribute, service and sell electric energy for the consumers as a primary activity, as well as to operate, design, build, maintain and execute trouble-shooting and elimination of the heavy current cables and switching units.

The bids are to be submitted either personally or via an authorised representative in three copies in Hungarian language in a closed envelope with indication only to the denomination of the tender, but not to the bidder.

The original bid should be clearly differentiated from the copies.

Date and Venue of Submission:

by 16:00 hours on August 18, 1993.

State Property Agency
Budapest, 1133 Pozsonyi út 56.
Registration Office

Foreign and domestic legal entities as well as temporary associations established for the purpose of submitting the present bid (Consortia) can participate in the tendering.

The State Property Agency reserves its right to declare the tender unsuccessful.

The validity of the bid must be at least 90 days after the date of submission.

The condition of participating in the bid is to buy the tender document and draft contract for 15.000 HUF at the

Customer Service Section,
State Property Agency
Tel: 269-8990
269-8600/1632 Ext.
129-4650/1632
129-4800/1632

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MANAGEMENT

Adrian Michaels on N&P's unconventional approach to re-engineering

Taking it from the top

ANYONE steeped in the conventional approach to re-engineering will be surprised by National & Provincial Building Society's method of reorganisation. Most companies go for striking results in the first year of a re-engineering programme, concentrating on one key process, such as order-taking to delivery. The aim is almost always to slash cycle times, and sometimes also costs and staff.

By contrast, N&P, Britain's eighth-largest building society, has started at the top, putting the emphasis on a change in culture and organisational structure. In what amounts to a radical and risky experiment, it has so far focused mainly on "process leadership" – getting its top managers committed and changing the way they operate – and has not yet made any change in its front line processes. The society does not even expect to finish its redesign for at least 18 months, and is cagey about the savings it will deliver.

The "re-design programme" was initiated by a new management in 1990. It followed the earlier division of N&P's operations into separate businesses – mortgages, life policies, and Visa cards, for example – and the establishment of a "mission" to be in the top 15 UK personal financial service providers by 1993.

David O'Brien, chief executive since August 1990, says the product focus "left the customer in the background". He also believes too much attention was given to acquisitions – and not enough to organic expansion through better service – and says outside consultants hired by the individual businesses pulled the organisation in different directions. The product focus also led to "hierarchical warfare".

One of O'Brien's first appointments was Paul Chapman, as director of business and organisation development. Both had worked on re-engineering at Rank Xerox, where entrenched structures and attitudes frustrated the beginnings of a similar change.

One of their first steps was a week of meetings with the heads of N&P's businesses and senior corporate personnel – in all about 10 people. A new mission statement, based on meeting customer requirements while contributing to N&P's prosperity, was forged and a strategy for achieving it worked out.

Copied: David O'Brien (left) and Paul Chapman tried a similar change at Rank Xerox

The board was renamed the "direction management team", and its operations reorganised into a "direction management process". Instead of functional and business directors, this now comprises process leaders such as directors of "customer engagement" and "customer requirements". They are deeply engaged in the planning of the new business processes.

Why then, more than two years later, is the vast majority of the society's 4,000 staff still working in much the same way?

The reason, says Chapman, is that when the change programme is complete, eight levels of management and more than 20 grades will have become three levels and four grades, so endangering middle managers. If those managers are not convinced that robbing them of their traditional functional power – though not necessarily their jobs – is good for the future, the whole programme is jeopardised.

In order to gain the support of the middle echelons, the drive for culture change began by concentrating on management seminars designed to communicate N&P's thinking.

Of course, this alone does not ensure that N&P staff will be able to take the society where it wants to go. So the "direction management team" has instigated a dual system of competency assessment and performance-related pay.

The former is a thorough analysis of job or "role" skills aimed at putting the right people in each process. It relies heavily on self-assessment and discussion at branch level. The point is that knowledge of colleagues' strengths enables better organisation and encourages greater productivity at all levels.

Another tangible example of the culture changes is the introduction of fortnightly meetings – "team events" – of all area staff at which updates from the top echelon are communicated. One important benefit of the meetings, according to Ann Britton, manager of the Bradford head office branch, is that the emphasis on discussion gives everyone a stake in the change process. "There is a requirement to take part and I think the ability to keep on changing is in place."

The message that still wider change is coming seems to have hit home. Lorraine Curtin, the 23-year-old manager of the Holborn branch in London, says: "Everyone used to be trying to get brownie points for themselves. Now it's very much teamwork. You feel part of something that's going somewhere."

Chapman says not everyone has gone along with the changes. Most of 1991 was used to call in the 150 senior managers of the society in groups of 10 to tell them about change. About 25 then left.

Britton admits that the changes have been "very, very gradual" and that life is hardly simpler. "If I'm honest, it is that much harder."

Concrete demonstration of improved performance, though, is still frustratingly hard to come by. The society says that in the two years since 1990 its operating profit per employee increased by 60 per cent and its cost to income ratio fell from 55 per cent in 1990 to 40 per cent. But part of this cost containment might be due to the programme's main information technology expenditure not having started. When the coal-face processes are implemented, N&P plans to map process systems on to computer and estimates that technology expenses will run to at least £20m.

Chapman stresses that because the organisation is concentrating on the culture change, it is too early to predict eventual improvements in cycle times. But he does give an idea of the type of savings that could be made: "The average time it takes to process a mortgage is 27 days. When underwriting decisions take place at the coal-face and the full process is put in place, the time could theoretically be 24 hours. In practice, even if this was 13 days, that would be a huge saving and a dramatic difference."

Previous articles in the series appeared on May 24, June 2, 11, 18 and 24

Clipped wings for high flyers

Daniel Green on the new austerity in spending on business air fares

Last Christmas, the managing director of a City securities house lectured his staff on business travel costs. Some £1m needed to be cut off the £6m annual spend, he said.

First- and business-class seats should be bought only if absolutely necessary. A consultant was brought in who found that the MD had been buying most of the first-class tickets himself.

The City may be one of the last places in Britain where company directors are happy for shareholders to pay for their caviar and vintage champagne. For most of the rest of the country, the rules and budgets are getting tighter as travel managers are drawn into cost-cutting exercises.

"I can't think of a time in the last two years when the chairman bought a first-class ticket," says Barry Burnley, deputy group purchasing agent at GKN, the engineering group.

"We encourage everyone to travel economy, but senior managers and above travel business class. Budget-holders are expected to make sensible decisions."

ICI is even stricter. "The budget is more important than the trip," says Roger Glenwright, business services manager. "The class of travel should never be more expensive than the minimum that will do the job. By and large that means travelling economy."

For short journeys, ICI is moving towards a policy of buying a discounted economy ticket for the outward leg of the journey and a flexible fare – full-price economy or business class – on the way back. "Our studies show that 80 per cent of flight changes, if a trip has to be cut short or extended, happen on the return leg," says Glenwright.

ICI's top executives still go business class for long-haul flights. But for everyone else "it's cheaper to send them a day early and give them a day to recover than to send them business class," he says.

Such arguments cut little ice with many Continental-owned companies, for which business travel means just that. "The policy is that everyone travels club class," says Barbara Kelly, administration manager at Roche Products, part of the Swiss drug company.

"But we are rigid about the justification to go. The biggest savings come from not going if the trip does not justify it; authorisation must be signed by a director," she adds.

US-owned companies also like to send everyone in the same class. IBM (UK) has an economy-only ruling for all short-haul and flights to the east coast of the US, even for the chief executive. Only the west coast and far east justify business class.

Norman Ryan, corporate service manager at US-owned oil services company Halliburton Holdings, says US companies are especially tough on air travel costs. All but the top few per cent in his company travel economy, "and at the cheapest fare available", he says. Top executives travel business class only if the flight is longer than six hours. Length of journey rules also apply at EDS-Scicon, the Heathrow-based US-owned computer services company. "Everybody except directors travels economy unless the journey including connections is over 12 hours," says Catherine Ketley, manager of international travel. "Directors go business class."

There may be a danger in allowing the principle of upgrades for long journeys. More old-fashioned luxuries can begin to work their way back into the system. At Guinness, the multinational drinks group, there is a complex formula in which some staff travelling eastbound overnight can go first class. Its main board and top six executives always travel first class, the next 450 in seniority normally go business class. The remaining 23,500 employees are eligible only for economy, if they travel at all.

Even this policy represents something of a downgrading from the good old days for the company: until 1987, the directors had the use of a corporate jet.

But Guinness is unusual in other ways, too. It is one of the few companies not to have reviewed its corporate travel policy as economic conditions got tougher.

GKN all but eliminated first class and Concorde two years ago when "there was a realisation that travel was both important and expensive. It was substantially more free and easy before that," says Burnley.

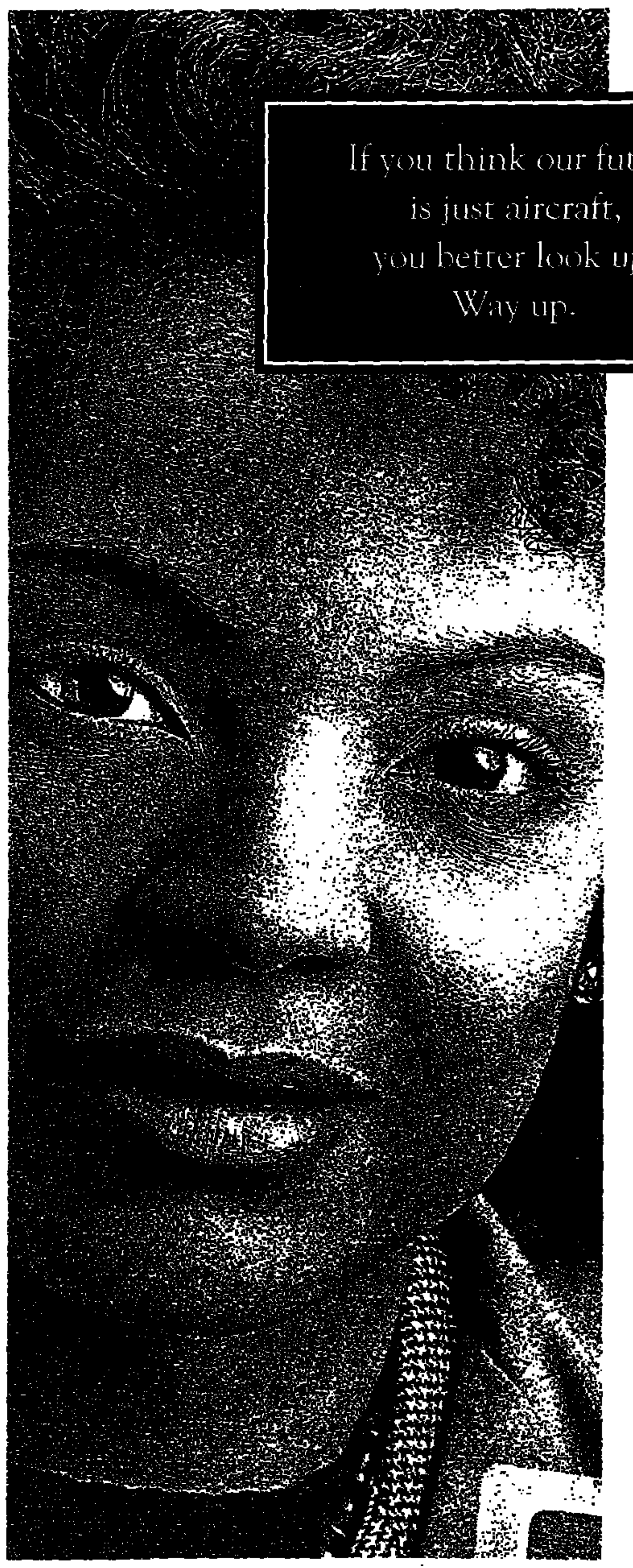
British Aerospace has also changed its rules. "We used to have a seniority-based system. That's been replaced with a business needs system which focuses on the need to travel," says Andrew Fletcher, BAe's company secretary. "The recession has caused the company to re-address a whole series of costs including travel and expenses."

Fletcher has a broader view than most of business travel trends. He is chairman of the Business Travel Liaison Group, a body of 20 large organisations including BP, IBM (UK), Ernst & Young, the accountants, and the British Council, that lobbies airlines.

For him, a cost-conscious approach is more than just a consequence of the recession; it reflects a change in management practice. "It used to be the case that the managing director went first class, the sales director went business class and everyone else went economy. Now it is more egalitarian."

Business class may still be the norm for senior executives, but travel managers are more likely to be trying to secure bargain prices for good seats for everyone than exhorting juniors to travel economy.

The egalitarian message may nevertheless take some time to get through to the City. The MD of the securities house still travels first class. No one has dared tell him he is the man he warned his staff about.



BUILDING CONTRACTS

Wimpey to face green roof task

A dramatic underground multi-purpose hall, topped with turf and shrubs, forms part of two design and build contracts for Netherhall Education Association won by Wimpey Construction London.

The schemes, worth a total of £5.3m, are to develop and refurbish a students' hall of residence and a catering training centre in Hampstead, north London.

They also involve the demolition of three buildings, and replacing them with two hostels and seminar centres, together with a new teaching wing. Extensions will be added to two existing buildings, Lakefield Centre and Netherhall House.

Several unusual features have been required because the college is sited in a conservation area. By far the most distinctive is the location of a multi-purpose hall, which will be built underground and topped with a landscaped "green roof".

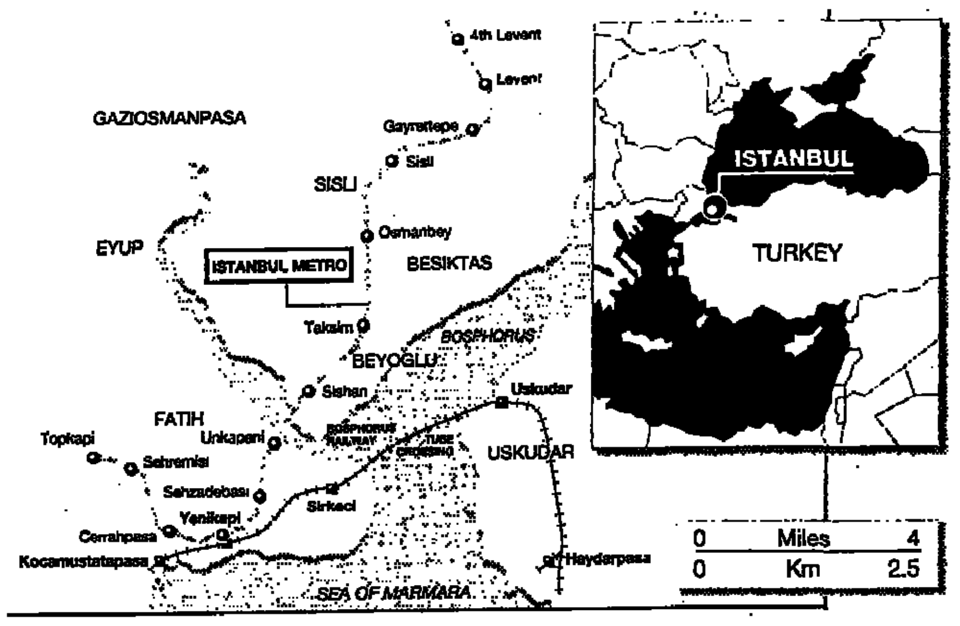
That will involve excavating some 2,000 cubic metres of earth to house the two storey building.

The new work will also blend in with existing premises as a result of careful selection of materials. Original features of a Victorian building, such as the roof finials and facing decorative brick work, will be replicated and used in construction of the new premises.

When fully operational by the end of 1994, Wimpey will have rebuilt or refurbished about 5,000 sq metres of the colleges.

The contracts will finish in two stages with the chief construction work completed in time for occupation next summer.

The second phase, the refurbishment part of the contract, will be ready by Christmas 1994.



ACER MUHENDISLIK MUSAVIRLIK LTD (AMM), the wholly owned Turkish subsidiary of the Acer Group, has been awarded a contract by the municipality of Istanbul to prepare electrical and mechanical systems, tracklaying and finishing works tender documents for the Istanbul Metro system (pictured above).

AMM will also review the contractor's designs and supervise construction.

A turnkey systems engineering and finishes contract worth $350m (£233m) is expected to be tendered in late 1993 and the first phase of the metro is planned to be operational by 1996. AMM is also advising about integration of the metro, light rail, tramway and suburban rail forms of transport within the city, including options for a railway crossing of the Bosphorus from the European to the Asian side of Istanbul.

The Istanbul Metro is planned as a heavy metro system capable of carrying up to 70,000 passengers per hour in each direction.

The system is mainly underground, with nine underground stations and one elevated station.

Civil construction contracts have been awarded to local contractors for the section of line from 4th Levent to Taksim. Phase two of Istanbul Light Rail began in May 1992, with AMM supervising.

Trafalgar orders reach £90m

The 16 offices that make up the UK regional network of Trafalgar House Construction have won new orders worth £90m in the first six months of this year.

That sum comprises 121 contracts encompassing all types of building and civil engineering work.

The largest single order is represented by a £6.3m two year contract from British Telecom for extensive underground work in Nottinghamshire and Derbyshire.

That will involve installing ducting in highways, footpaths and other sites in order that telephone and computer services may be provided to new housing estates, offices and diverse other developments.

In Scotland, two civil engineering contracts worth £4.7m, for a wastewater treatment plant on Tayside and a sewage treatment plant at Airth, have been secured.

Building work includes a £3.2m contract for a new arts & social science block at Leicester University containing lecture theatres, seminar and computing rooms which will provide space for 850 students and 160 staff.

Other significant building orders secured by Trafalgar include a £2.9m design and construct contract for a new leisure centre at Herne Bay and a £2.5m contract to refurbish Her Majesty's Prison Stafford.

Lovell homes prospects brighten

The Partnerships Division of the Lovell Group has won contracts across England and Wales, in partnership with local authorities and housing associations, to a total value of £23.8m in the last quarter.

The work will provide 677 units of affordable social housing for rent, shared ownership and sale to local authority and housing association tenants and those on waiting lists.

The largest project, worth £3.57m, is for 141 homes for the City of Newcastle upon Tyne. Schemes for the Guinness Trust at South Nutley, Surrey and Shoreham by Sea, in Sussex, will provide 91 homes for £3.28m. South Wales figures in the orders with £3.25m for 91 homes at Brackla, Pontypool, Tonyrefail and Cardiff for Shaw Housing Trust, Tai Hafen Housing Association and Hafod Housing Association.

Work in the North of England totals £6.42m, providing 214 homes at Alderley, Heywood, Hyde, Rothwell, Salford and St Helens. Work in the Midlands accounts for a further 112 homes at a value of £4m.

Work in London includes a project at White Hart Lane, for Metropolitan Housing Trust, providing 28 homes.

PEOPLE

Economists at Shell and BA from the distaff side

There are even fewer female economists at the top of big business than there are female politicians in top positions of government, so the probability that Shell International's outgoing chief economist, DeAnne Julius, would be replaced by another female of the species might seem pretty slim.

However, DeAnne Julius, a 44-year-old American who has done the job for four years, helped draw up the short list of candidates to succeed her, and ensured that the name of Heidemarie Sherman of the Institut für Wirtschaftsforschung in Munich, was included.

The two of them had co-authored a book together, the Monetary Implications of 1992, when Julius was director of economics at Chatham House.

Julius, a former World Bank economist who is married to Ian Harvey, chief executive of the British Technology Group, is expected to join British Airways in September. The airline has plenty of economists but it is understood that Julius will be taking on a newly created post of chief economist.

She sees plenty of similarities between Shell and BA. They are both in long-term capital intensive industries and have an important interface with governments. In addition, both companies face competition from state-owned rivals.

However, BA is a much smaller company than Shell and Julius says that one of the attractions of her new job is that she will be much closer to the business. She will report to Roger Maynard, BA's director of corporate strategy. There is far more to running an airline than picking the fastest growing routes and negotiating cosy deals, says Julius. She is particularly looking forward to being involved in the airline business at a time when the European industry is undergoing big structural shifts.

Sherman is the latest in a long line of well regarded outside economists to occupy the chief economist's slot. It is one of the very few positions at Shell where the company brings in outsiders for relatively brief periods. Oxford University's Peter Oppenheimer did the job for a couple of years and the World Bank has often provided candidates.

BAe's new engineer

Trevor Truman, a well-known behind-the-scenes figure in the European defence industry, has landed a high profile job with his appointment as director of engineering at British Aerospace. Truman took up the new post last week, replacing Ian Hall who has retired.

The new engineering chief is less well known to the public and BAe shareholders than he is in defence and aerospace circles. He is a member of the Defence Scientific Advisory Council, a council member of the Defence Manufacturers Association, technical board member of the Society of British Aerospace Companies and director of the European Defence Industry Group. He is also a member of the UK delegation to the Nato Industrial Advisory Group.

Truman, 53, was educated at King's College, London University, and joined Royal Ordnance in 1967 from the Ministry of Defence. In the mid 1980's he was successively director for organisation and planning, managing director of the explosives division, and operations director.

In 1987, he became a member of the board of Royal Ordnance after the company was bought by British Aerospace. In 1988 he became chairman of Royal Ordnance Speciality Metals and engineering director of Royal Ordnance.

He joined the board of British Aerospace Defence last year and will continue as engineering director there concurrently with his new post, which is not a main board appointment.

Bernard Thiolon, recently retired from Crédit Lyonnais after a 41-year career at the French bank, is joining the board of Kingfisher as its seventh non-executive director on the eleven man board.

Kingfisher's corporate affairs director Nigel Whittaker says that as well as his familiarity with the French corporate scene, Thiolon understands British business culture too, "which is important and none too common."

Earlier this year, Kingfisher merged with Darty, France's largest electrical retailer. Top Darty executives are represented within the executive management groups, but it is not the company's policy to put the bosses of its operating companies on the plc board. Thiolon is a director of Darty.

Group general manager of Crédit Lyonnais until his retirement at the end of last year, 64-year-old Thiolon has also been on the board of Eurotunnel for the last ten years.

"He speaks perfect English and he has convinced me he understands everything about British culture - except cricket, which he thinks goes on too long" Whittaker reckons.

Electronic switches

■ Ray Gordon, formerly manager of the system design part of IBM UK's professional services organisation, has been appointed director of NCR's new professional services division.

■ Lawrence Bland has been appointed group finance director of RADIUS.

■ Derek Meades is appointed financial director of HOSKYNS on the retirement of Ray Harsant; he is succeeded as company secretary by John Williams.

■ John Jarvis, formerly chief executive of BIS Information Systems, has been appointed ceo of RAM MOBILE DATA in the UK.

■ David Ringrow has been appointed financial director of RACAL-DATACOM; he moves from Racal's marine electronics business.

■ Mel Southerden has been appointed UK country manager and deputy director, western region, for JMA Information Engineering, part of TEXAS INSTRUMENTS.

■ Alan Railton, previously md of Devon Systems, Asia Pacific, based in Tokyo, has been appointed head of UK operations for RENAISSANCE SOFTWARE.

Headline's banner hire

Hodder Headline, the new publisher formed out of a merger of Headline Book Publishing with Hodder & Stoughton, is hiring 37-year-old Martin Neild, key accounts director of Pan Macmillan, to run its largest division, fiction and non-fiction books.

He replaces Michael Attenborough, brother of the chairman of the old Hodder & Stoughton, and great great grandson of that company's founder Matthew Hodder. Attenborough, 53, who has been at the company for 30 years, counts John Le Carré among his authors.

Tim Hely Hutchinson, managing director of Headline, said that Attenborough had been "thinking about his future" and had decided to retire in October 1994, a decision Hely Hutchinson acknowledges had been "crystallised" by the merger.

"Neild is very well read, very numerate and very well known. In my view he is the best marketing executive in the whole industry. He was my first and only choice" says his new boss, singling out the success with Scarlett, sequel to Gone with the Wind. "He made an international best seller out of a book that the reviewers could have been expected to be sniffy about."

At Pan Macmillan his authors had included Ken Follett and Wilbur Smith.

Hely Hutchinson also worked for Macmillan. Neild succeeded him in the Australian office, but the two did not meet. "We were always on opposite sides of the globe."

Architecture/**Colin Amery**

Prince's pupils return to basics

It is hard to believe the place has existed for only one year. How can such richness, variety and intelligence have been gathered and organised in such a short time? I recommend the end-of-year show of the Prince of Wales's Institute of Architecture to any reader who has a few hours to spare. This well-designed exhibition is open this week at the home of the new school, 14-15 Gloucester Gate, London NW1.

I have had an interest in the establishment of this alternative school of architecture but no direct input into the teaching programme, and so I feel I can offer the reader an inside view while looking critically at the product of the first year's teaching. The unusual thing about this new school is that it was set up by the Prince of Wales as a home for a radical and completely alternative way of teaching architecture. The Prince, and others, recognised a need to found a school that would be a catalytic meeting point for students and teachers where a true journey of exploration into the richness of art and architecture could begin.

On show this week is the work of the first 28 foundation course students. The full title of their programme is "Foundation Course in Architecture and the Building Arts" and it is unique in Britain. Not many schools of architecture begin their first term with a lecture from Sir Laurens van der Post that describes all humans as being builders at heart.

His point, that we have lost the capacity in many of our buildings to reflect our own values, is well worth making. In the modern visual world, "we look for a reflection of ourselves but see none, listen for an echo of our values but hear nothing". The Prince's school aims to return building to the realm of common sense in a way that does not fragment and separate the various building processes.

This is a large agenda but an impressive start has been made in the first year. Students are pushed very hard. To emphasise the holistic nature of building creation, they all study life drawing, painting, drawing from nature, modelling in clay and carving in stone. These are seen as basic ways of learning to see and measure and of beginning to understand materials.

Ivan Kniazev's plan to convert the derelict pier at Nine Elms in Wandsworth into a ship for all kinds of public activities

One exhibition, of a group of clay modelled heads set against a display of bamboos, is very touching and beautiful. There are some excellent plant drawings and some good figure drawings. Use of washes and water colours has been well absorbed – however the oil painting has some way to go. Once these representational arts are mastered, the student moves rapidly into project work and design.

Looking at nature and the life model is important because it grounds the students' visual experience in a knowledge of proportion and structure. Students follow simultaneously a course in architectural history which emphasises that architects are guardians of a great heritage existing as a source of inspiration. When the modern movement in architecture tried to kill history it only revealed the poverty of its own powers of invention. History is evident in the students' work not in the form of slavish imitation but as a clear inspiration. They do learn to draw the classical orders but simply, as we all should, as part of any civilised person's knowledge.

I was impressed by the community projects that the students had undertaken in four places in London and in Salisbury. It is absolutely essential for students to understand the planning process if they are to tackle areas like Hulme in Manchester – one of the most deprived and difficult inner city areas in the country.

One student project has already achieved a concrete result. The derelict pier at Nine Elms in Wandsworth is to be saved as a result of a discussion process and development study that was instigated by the institute. One particular student – Ivan Kniazev from St Petersburg – made a spectacular and practical contribution to the problem of the derelict pier. He produced a magnificent drawing of his idea to convert the pier into a ship for all kinds of public activities.

The students have so won the hearts of Wandsworth's planners that they are to make a presentation concerning all of the borough's riparian land. This presentation, "London's Liquid Asset", will take place on a Hydrocat (the latest river bus) with the head of planning and the mayor of Wandsworth on board.

Another practical link between the institute and the world outside involves the Macmillan cancer nursing scheme. The Macmillan Design Challenge awards will be shown at the institute on July 22.

It is impressive that such a young school should be having such an impact and it is encouraging. From this autumns, the institute will take graduate students on courses that are recognised by the Royal Institute of British Architects; bridges are being built between the profession and one of its sternest critics.

Even the most entrenched old-fashioned Modernist could not fail to be fired by the enthusiasm and breadth of the Prince of Wales's Institute of Architecture. Its diet is too rich to be dogmatic and too questioning of fundamentals to be other than constructive. It clearly has a bright future.

End-of-year show until July 9. 10am-5pm (until 8pm Weds) Prince of Wales's Institute of Architecture, NW1

Cheltenham Festival/**Andrew Clements**

Berkeley's Jungle Tale

The 49th Cheltenham Festival, its programmes looking more chipper and enterprising than they have for the best part of 20 years, opened on Saturday with the premiere of Michael Berkeley's first opera. *Baa Baa Black Sheep* was commissioned by the festival and staged by Opera North, which will take Jonathan Moore's production into its main season in the autumn. It is an ambitious, challenging work to a very fine libretto by David Malouf, with a dramatic consistency which is only finally undermined by the unevenness of the music.

The subject is a wonderfully potent one. At the age of 23 Rudyard Kipling wrote a short story "Baa Baa Black Sheep" about Punch, a six-year-old born in India of English parents who is shipped back to England with his sister Judy to be educated "to be English". For five years they are entrusted to the manic Auntirosa and her House of Desolation, where Punch suffers constant abuse and humiliation, from which there seems no deliverance. Only in old age was Kipling able to admit that the bleak story was autobiographical, that these were his own experiences as a schoolboy in England and they had marked him indelibly.

In Kipling's story Punch cannot find a way to revenge himself for the beatings and bullying he suffers from Auntirosa and her teenage son; he is too young, too weak, to carry out the murder he craves. In the libretto Malouf's imaginative leap has fused this tale with episodes from the *Jungle Books*, identifying Mowgli as Punch's *alter ego*, and so providing the boy through fantasy with that outlet for violent justice. The parallels fall beautifully into place – Auntirosa is Baldeo the white hunter, her husband, a mild, sympathetic Sea Captain, is Akela; Harry equates to Sheer Khan, the tiger over whom Mowgli eventually triumphs; Punch's family are the Wolves, and the three Indian retainers whom Punch has left behind become Baloo, Bagheera and Ka.

There is nothing cosy, no Disney anthropomorphism about the jungle scenes; the success of the scenario, Berkeley's music and Moore's production is to make Mowgli's power struggles and his efforts to win acceptance just as real and unsentimental as the depiction of Punch's desolate existence. And by presenting these two Kipling worlds as congruent and interlinked, *Baa Baa Black Sheep* adds yet another layer to its teasing allusive mixture.

Berkeley's score is equally rich and dense, the vocal lines rewarding and his orchestral writing full of busy, muscular detail. The musical language is homegrown, derived generously from Britten with occasional Tippett-like touches (from *The Vision of St Augustine*, unfashionably). Though there is a roughness, an almost expressionist edge to some of the writing that is Berkeley's own, the obvious origins of those gestures finally prove too distracting. It is hard to resist a mental tick-list of the sources as they swell and fade – ensemble writing from *Peter Grimes*, lean, exposed instrumental writing and (inevitable, perhaps) the writing for the treble Punch from *Turn of the Screw*, a sudden baleful upwelling from *War Requiem* and so on.

More intriguing, though, are the gamelan sonorities, sourced from *Death in Venice*, which infiltrate the textures and represent the memories of India that Punch has to struggle so hard to preserve. There are no quotation marks around these, and as they add weight and washes of colour to the orchestral sound they offer an aural equivalent to the multi-layering and ambiguities of the text.

Moore's production and David Blight's designs (some inappropriate palm trees apart) are intelligent and effective, with the transformations from Victorian England to fantasy India well managed; Paul Daniel realises and releases the energy of Berkeley's music with an intensity that never falters. The singing too is first rate: Malcolm Lorimer sings the demanding parts of the Punch and the boy Mowgli with undaunted precision and presence; the baritone William Dazeley makes Mowgli the young man exactly the potent, semi-heroic figure the role demands.

Fiona Kimm adds Auntirosa to her gallery of sharply characterised eccentrics; Philip Sheffield makes Harry a gruesome caricature, Ann Taylor-Morley copes well with both the unrewarding part of Judy and the much more interesting and sexy one of Grey Wolf. Among the roster of family and other animals Clive Bayley's lucid, eloquent Bagheera and Eileen Hulse's anguished Mother deserve special mention. Whatever the imperfections it is a fascinating evening.

Everyman Theatre, Cheltenham; *sponsored by PCAS*. Further performances Wednesday and Friday. Cheltenham Festival runs until July 18.

Theatre/**Alannah Hopkin**

Wonderful Tennessee

Brian Friel's new play is something of a puzzler, a product of the writer's mystic side, which was only hinted at in his previous success, *Dancing at Lughnasa*. It has none of the warm nostalgic glow that formed such a strong part of *Lughnasa's* appeal, nor its manic, life asserting energy. It is set firmly in the present day with three rather ordinary middle class couples as protagonists.

A cynic could describe the play as six characters going nowhere. A romantic would say that it is all about the healing power of the irrational, the elemental and the wonderful which are generally missing from modern life.

It takes place on a stone pier in a remote part of Donegal (Ballybeg again) where the six wait for a boatman to take them across to the island. He never shows up. After an uncomfortable, sometimes drunken, night, they are collected again by their minibus driver.

Joe Vanek's set consists of a solid looking narrow stone pier which crosses the middle of the state and has "water" in front, behind and at one end. As the "misty" white drape is pulled off the set you can hear the waves lapping and the cries of gulls. The arrival of the trippers with their banal, unsober songs and jokes, destroys this illusion of peace.

At first we are beguiled into believing that we are watching a realistic play about the amiable bookmaker, Terry, his wife, Derna, her sister and husband and Terry's sister and husband reacting to the discomfort of an outing gone wrong.

But there is of course far more to it than that. The name of the island that the party cannot reach, for example, translates from the Irish as "Island of Otherness, Island of Mystery". Soon after arriving at the pier Terry makes everyone take off their shoes, to conform to the old custom observed when the island was a place of pilgrimage.

As their long night wears on, the three couples find themselves unconsciously conforming to the originally pagan rites of the pilgrimage. Stones are built up into a cairn, tokens are hung on the lifebuoy's wooden stand; there is music, dancing, story telling, drinking and eventually visions. At the end they resolve to return next year, and every year after, "to attest, to affirm, to acknowledge".

The cast, under the direction of Patrick Mason, are uniformly strong, but the constraints of the narrow horizontal set combined with the fragmented nature of most of the dialogue seems to impede any development of character. Donal McCann's Terry remains enigmatic: was the outcome of his birthday outing premeditated, or were the strange events of their night on the pier merely accidental?

Robert Black, an accordion player making his acting debut, brings a quiet poignancy to the part of George who is dying of throat cancer and communicates chiefly by playing tunes. Ingrid Craigie is alternately fragile and strong as Gerry's mentally unstable wife. Marion O'Dwyer and Catherine Byrne make the best of characters who struck me as predictably "Frielsian", the latter earthy, sexy and intuitive, the former one of those plain bovine salt-of-the-earth women who seem to abound in Ballybeg.

Perhaps the characters fail to engage much interest because, in spite of the efforts that Friel makes to disguise the fact, this is essentially a play of ideas. For all the accomplished artistry, the memorable story telling, the jokes and the evocative tunes, its plea for the power of the lost rituals of the distant past failed to ignite any latent spark of paganism in this witness.

Abbey Theatre, Dublin

Ballet/**Clement Crisp**

Swan Lake at the Coliseum

After the disappointments of *Romeo and Juliet* which opened the Kirov Ballet season, it is good to report that the company is grandly itself again with its second offering, *Swan Lake*. This Petersburg staging is the best in the world. It is made for grown-ups by grown-ups. It plays no tricks, offers neither gratuitous psychological insights nor optimistic reassessments of score or text.

It understands that the way in which, a century ago, Petipa rescued and re-ordered the original and ungainly score (three stagings in Moscow, between 1877 and 1882, did not succeed) was wise and theatrically vital. It has, across its years in Petersburg, been edited by several producers, yet each appreciated the values of Petipa's version, and incidental vagaries have been excised or muted. What we see now is *Swan Lake* as rite as well as national treasure.

The production enshrines attitudes about classic dancing, about how a lyric tragedy may be expressed within the terms of the academic vocabulary, which are true, and unassailably right. And, unlike almost every other version, this *Swan Lake* is of unfailing theatrical power. Igor Ivanov's sets provide ideal – because poetic but unemphatic – locations. Galina Solovyova's costumes have been revised for this season and are handsome, opulent. (The expensive programme book, by the way, credits neither of these artists).

Within this framework, the grandeur of Kirov dance style gives the choreography immense lustre. The general dances of the first and third scenes are aristocratic because the dancers' training is itself noble. The impeccable ranks of swans are a symbol of Tchaikovsky's vision of bewitched maidens, and of ballet's metaphoric transmutation of women into dance forms. And the Mariinsky Theatre orchestra – under Viktor Fedotov and Boris Gruzin in two performances as the week ended – plays with absolute commitment, absolute conviction.

This is a Swan Lake for adults, for people who care about Swan Lake as a masterpiece to be honoured, and not just a catch-penny attraction, all title and no sense

This is, as I have suggested, a *Swan Lake* for adults, for people who care about *Swan Lake* as a masterpiece to be honoured, and not just a catch-penny attraction, all title and no sense. It is sure in its momentum, refined in its means. (A comparison with the Royal Ballet's staging – which has a more "authentic" text – shows how we mistrust the ballet, tricking it out with egregious incident, clouding its dance and its larger meaning). And the Kirov perform with such distinction that even mannerism and dullness, which were the respective contributions of Yulia Makhalina and Alexander Kurkov in the leading roles on Friday night, are absorbed into the general eloquence of the presentation.

Makhalina, beautiful, strong and emphatic in technique, offered a reading of Odette/Odile that looked extreme in physical outline and self-absorbed. Certainly Kurkov is a paste-board Siegfried, but Makhalina's style – with over-wrought tempi, hectic accents, tragedy queen manners – brought little to the ballet. On Saturday afternoon Irma Nioradze was a tender Odette, the dance elegant, and a lustrous Odile. Her Siegfried was Alexander Gulyayev, who has a lively dramatic presence – the first act was well played in its charm and eagerness – and a neat, if not gaudy, technique for the ball-room endurance test. But I wish the Kirov would not treat the coda to the great pas de deux as if it were a pentathlon, with breaks for applause after every trick. Pierina Legnani expected such acclaim in *Swan Lake* in 1895 after her *fouettés*. We have progressed a little – if not enough – since then.

A note in passing. The management owes it to the public to identify cast changes. The first act trio on Saturday afternoon was entirely different from that printed in the cast-list, and the audience was not informed. There were also changes on Friday night which went unmarked. Courtesy to dancers and public alike requires that changes be announced.

The Kirov Ballet is at The Coliseum with varied programmes until July 31.

INTERNATIONAL ARTS GUIDE

BERLIN

THEATRE

Sag mir wo die Blumen sind, the Marlene Dietrich musical starring Jutta Habicht, can be seen daily except Mon at **Theater am Kurfürstendamm** (300 6000). **Metropol Theater** has the Broadway musical 42nd Street daily except Mon till July 25 (2036 4117). A new production of Neil Simon's play Runaway opens on July 15 at **Komödie**, directed by Wolfgang Spier (882 7893). The summer season of open-air performances at **Freilichtbühne an der Zitadelle** includes Schiller's The Robbers and Shakespeare's A Midsummer Night's Dream (331 6920)

CONCERTS

Berlin's annual Bach festival features La Petite Bande with Sigiswald Kuijken and Nancy Argenta tonight at **Philharmonie**, a choral and orchestral concert tomorrow at **St Hedwig Cathedral**, Concerto Köln on Wed at Philharmonie, Hilliard Ensemble on Thurs at **Sophienkirche**, pianists Malcolm Bilson and Robert Levin on Fri at **Staatsoper unter den Linden**, Berlin Symphony Orchestra with violinist Dmitri Sitkovetsky on Sat at Schauspielhaus, and the English Concert with Trevor Pinnock on Sun at Philharmonie (854 2040). Fats Domino, Ray Charles and Randy Crawford give an open-air concert at **Waldbühne** on Sat, followed by Placido Domingo on July 26 (301 5055)

BONN

● Bonn Opera's new production of Werther, starring Francisco Araiza, opens on Sun, with further performances on July 13, 15, 17, 19, 21, 23, 25. Thurs: Ken Russell's production of Salome. Sat: Cav and Pag. Next Mon: Anna Tomowa-Sintow song recital (773667)

● Sommer-Klassik: Bonn's summer concert series includes choral and orchestral concerts tonight, Fri and Sun at **Bonn University**. Cello Academy, an international group of 12 cellists, plays at Beethoven-Haus tomorrow. Polish and German choruses and orchestras join forces in Mahler's Second Symphony on Wed at **Beethovenhalle** (655088/632500)

DRESDEN

Semperoper Tonight: chamber music concert featuring members of the Dresden **Staatskapelle**. Tomorrow and Fri: Friedemann Layer conducts Willy Decker's new production of Don Giovanni. Wed: **Der Freischütz**. Sat: Colin Davis conducts Beethoven's Ninth Symphony (4842 323)

FRANKFURT

● Frankfurt Opera has performances of Ariadne auf Naxos on Thurs and Sat, Macbeth on Fri and Die Meistersinger von Nürnberg on Sun. A two-week ballet season opens on July 15 with the first of four performances of William Forsythe's As a Garden in this Setting, followed by six performances by Britain's Royal Ballet (236061)

● Andrew Lloyd Webber's musical Evita can be seen daily except Mon till July 14 at **Alte Oper** (1340 400). Final theatre performances of the season at **Schauspielhaus** and **Kammerspiel** are from Thurs to Sun this week, including Eugene O'Neill's The Iceman Cometh and Gorki's Children of the Sun (2123 7444). Frankfurt's **English Theater** has performances of Alan Ayckbourn's farce Taking Steps daily except Mon till July 24 (2423 1620)

MUNICH

OPERA FESTIVAL

The Bavarian State Opera's new production of Die Frau ohne Schatten, first seen last November in Japan, receives its first Munich performances on Wed and Sat. Horst Stein conducts a cast led by Janis Martin, Jan-Hendrik Rootering and Peter Seiffert. Hildegard Behrens stars in a new production of Lady Macbeth of Mtsensk on Thurs and next Mon, and there are also performances of Lucia di Lammermoor with Edita Gruberova and Le nozze di Figaro with Wolfgang Brendel and Anne Sofie von Otter. Cosi fan tutte can be seen at the **Cuvilliés-Theater** on July 11, 14 and 16. The festival runs till Aug 7 (221316)

OTHER EVENTS

At **Gasteig** on Wed, Thurs, Fri and Sat, Gianluigi Gelmetti conducts Munich Philharmonic Orchestra in works by Liszt and Mahler, with piano soloist Bruno Leonardo Gelber. Alexnader Myrat conducts Edinburgh Youth Orchestra in Carl Orff Saal on Thurs in works by Arnold, Shostakovich and Tchaikovsky. Sir Malcolm Arnold gives a pre-concert talk. Next week is devoted to jazz, with concerts by Lionel Hampton, Herbie Hancock and others (4809 8614). Repertory at **Gärtnerplatztheater** includes Siegfried Matthus' Cornet Rilke opera and Kurt Weill's Street Scene (201 6767)

NEW YORK

THEATRE

● Kiss of the Spider Woman: a Kander and Ebb musical based on the novel by Manuel Puig, directed by Harold Prince, with a star performance from Brent Carver as the heroic homosexual window dresser (Broadhurst, 235 West 44th St, 239 6200)

● Later Life: A.R.Gurney's much-admired new comedy about a man and woman who meet after a 30-year separation (Playwrights Horizons, 416 West 42nd St, 279 4200)

● Angels in America: the first half of Tony Kushner's epic, freewheeling play about gay life, Reagan-era politics and Mormonism. Not to be missed (Walter Kerr, 219 West 48th St, 239 6200)

● The Who's Tommy: a stunning stage adaptation of the classic 1969 rock opera, a collaboration between its original principal author, Pete Townshend, and director Des McAnuff (St James, 246 West 44th St, 239 6200)

● The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

● She Loves Me: revival of award-winning 1963 musical by Joe Masteroff, Jerry Bock and Sheldon Harnick, about the romantic entanglements of a squabbling salesclerk and her manager (Roundabout, Broadway at 45th St, 869 8400)

MUSIC/DANCE

● New York City Ballet opens a three-week season tomorrow at Saratoga Performing Arts Center, Saratoga Springs (518-587 3330)

● Mostly Mozart Festival opens tomorrow at Avery Fisher Hall with a concert conducted by Gerard Schwarz, featuring June Anderson, Joshua Bell and Andre Watts as soloists. The festival runs daily except Sun till Aug 21 (875 5030)

● Kurt Masur conducts New York Philharmonic Orchestra in works by Brahms and Schumann at Carnegie Hall on July 14, 15, 21, 22, 28 and 29 (247 7800)

● Stanley Jordan is in residence this week at the Blue Note Jazz Club and Restaurant. Next week: Tom Scott (131 West 3rd St, near Sixth Ave, 475 8592)

PARIS

Opera Bastille Tonight, Thurs, next Tues and Fri: Julius Rudel conducts Jorge Lavelli's production of Faust, with Giuseppe Sabbatini, James Morris and Nancy Gustafson. Tomorrow, Wed, Fri, Sat, next Mon, Thurs and Sat: Myung-Whun Chung conducts Jose Luis Gomez's new production of Carmen, with Beatrice Uria-Monzon/Denyce Graves in title role and Samuel Ramey/Barseg Tumanyan as Escamillo (4473 1300)

Palais Garnier Tonight: choreographies by dancers of Ballet de l'Opera de Paris. Tomorrow, Wed, Fri, Sat: Balanchine/Robbins programme (4742 5371)

Lionel Hampton Jazz Club Tonight, tomorrow, Wed, Thurs, Sat: Illinois Jacquet Big Band from Louisiana. Fri and next week: Boto et Novos Tempos, modern Brazilian jazz and samba (Hotel Meridien Paris Etoile 4068 3042)

VIENNA

● Open-air performances in the gardens of Schönbrunn open on Wed with Don Giovanni, alternating throughout July and August with a Moscow Chamber Ballet staging of Mozart's Requiem (513 0851)

● Klangbogen: Vienna's summer concert series features New Vienna Baroque Ensemble tonight, pianist Stefan Mendl on Wed and organist Jennifer Bate on Fri (4000 8410)

● Vienna's Jazz Festival features Dionne Warwick and John McLaughlin tonight, Manhattan Transfer tomorrow, Ray Brown and James Morrison on Wed, Herbie Hancock and Dr John on Thurs, Gilberto Gil on Sun and WasNotWas next Tues. Most performances take place at Staatsoper or Volkstheater (5454 540)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Home, costly home

John Willman on a risk to private investment in UK housing

Finding ways of raising private finance to fund public expenditure is one of the UK government's priorities, as it struggles to contain this year's £50bn borrowing requirement.

Yet plans to cut grants to housing associations could reduce the availability of private finance for the government's housing programme, says the cross-party House of Commons environment select committee in a report to be published tomorrow.

Housing associations have provided a model example of how private capital can be used to finance public spending. Associations build more than 50,000 homes for rent each year, by combining £2bn a year of government grants with £1bn of private finance raised on the capital markets.

However, the select committee warns that cuts in housing association grants would make it much harder for associations to borrow the money they need, and may deter private investors from lending to them.

The grant cuts were announced in last year's Autumn Statement, when the chancellor provided £700m to remove 20,000 homes from the housing market. The money for his housing market package came from the budget of the Housing Corporation, the quango that distributes grants to housing associations.

The chancellor was quick to promise that the cut in the corporation's budget would mean no reduction in the 153,000 new housing association homes promised for the next three years in the Conservative election manifesto. Instead, the level of grant would fall from an average of 72 per cent of the cost of each new home last year to 55 per cent in 1995-96.

The housing associations would therefore be forced to raise 45 per cent of the cost of new homes from the capital markets, rather than 28 per cent.

In order to pay the additional interest, they are likely to have to raise rents. This is in spite of the fact that the chancellor said in his Autumn Statement that the steady fall in interest rates, combined with lower land prices and building costs in the aftermath of the recession, ought to counteract any need for a steep rise in rents.

The announcement caused consternation at the Housing Corporation, which had recommended no change in the grant rates. It predicted that investors would not be prepared to lend housing associations such a high proportion of the cost of a new building against the security of a tenanted home, which is normally valued at 50 per cent of its vacant value.

In the short term, associations could pledge their older property as additional security for loans. But, eventually, even that source of asset cover would be used up.

And there would be very little additional security available for newer housing associations or the small associations that cater for the needs of special groups such as single people and ethnic minorities. This would inevitably reduce the diversity of accommodation offered by housing associations – one of their most attractive features, in contrast with the monolithic housing estates built by local authorities.

'Any benefit cuts could make it harder for housing associations to collect rent and to service their loans'

"The problem of asset cover is surmountable as long as grant levels stay above around 60 per cent," according to Mr Maurice Hochschild, associate director of European Capital, a merchant banking firm which advises on housing association fund-raising. "But if the average grant falls to 55 per cent, there will sooner or later be problems in finding sufficient security for loans."

There is an additional threat to lenders, however: lower grant rates could make it harder for associations to service debt.

Projections carried out for the National Federation of Housing Associations by stockbrokers UBS Phillips & Drew suggest that, despite lower interest rates and building costs, rents would have to rise by 75 per cent over the next three years to meet the cost of raising a higher proportion of private finance.

"That would raise rents to almost 40 per cent of the average income of working households," says Mr Jim Coulter, director of the NFHA. "With rents at such levels, 89 per cent of new tenants would qualify for housing benefit." That compares with half of new tenants qualifying now.

"Many more housing association tenants would find themselves stuck in the poverty trap, where almost all of any increase in income is clawed back in taxes and reductions in means-tested benefits," says Mr Coulter.

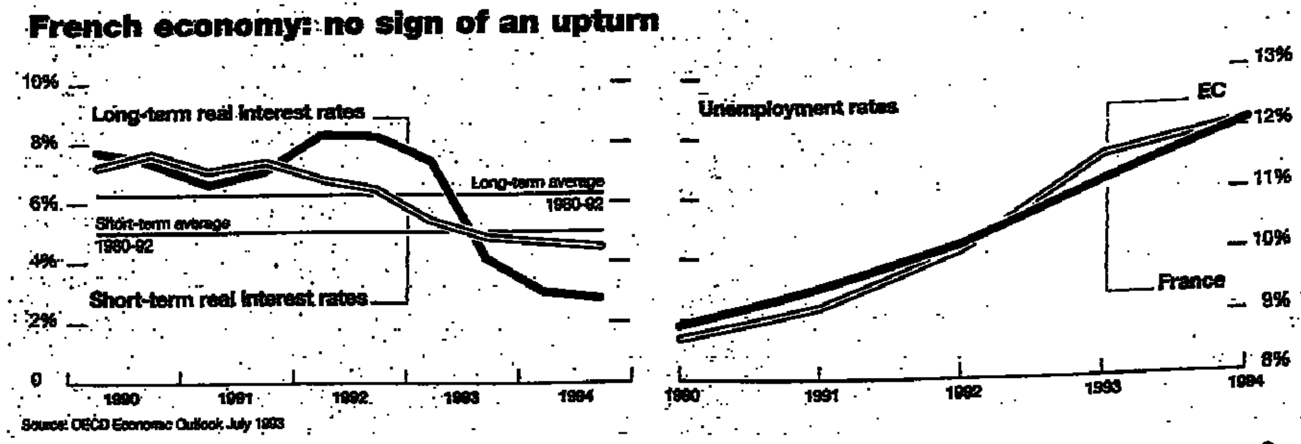
More worrying for lenders, however, are the implications of such reliance on housing benefit for the rent payments to service their loans. The cost to the exchequer of housing benefit is rising fast, at more than 10 per cent annually, and will reach almost £10bn this year. With housing benefit already under close scrutiny as part of the Treasury's long-term review of social security spending, further large increases could persuade the government to consider cutting it.

"Any cuts in housing benefit could make it harder for housing associations to collect rent and to service their loans," says Mr Hochschild. "The dependence on social security benefits which could be vulnerable to government cuts in the future may make investors cautious."

Thus the government could find that reducing the grant paid to housing associations not only boosts the social security bill, it also makes investors less willing to lend associations the private finance they need. "That would be a pity," says the NFHA's Mr Coulter. "Housing associations have been very successful at raising private finance to supplement public expenditure on housing."

It would certainly be strange for the government to put that success at risk at a time when it is looking for private finance to fund other parts of the public expenditure programme. The government's response to the select committee's report will be vital in convincing many in the City that it is serious about wishing to work in partnership with private investors in financing public expenditure.

French economy: no sign of an upturn



Source: OECD Economic Outlook July 1993


Prime minister Edo[illegible]

The French premier is facing a rising tide of grim economic news, writes **David Buchan**

From the brake to the accelerator

At the time of his appointment, Mr Edouard Balladur was supposed to be economically effective and politically low key. But in his first three months as France's prime minister, he has proved to be neither.

The economy has continued to sink. Unemployment rose in May to a record 11.5 per cent, and, among leading indicators, housing starts have continued to fall. His stewardship has, of course, been too brief for him to be fairly blamed for the state of the economy. But on taking office, Mr Balladur underestimated the seriousness of recession, and since then has been shifting his foot from the fiscal brake to the fiscal accelerator. Neither he nor his ministers have been able to point to any upturn.

At the same time, both the conservative prime minister and Mr François Mitterrand, the Socialist president, are rising in the opinion polls. The French seem to appreciate the fact that the two get on well together. Evidence of this was Mr Balladur's readiness to let Mr Mitterrand lead the French delegation at this week's G7 summit in Tokyo while he pushes through a legislative programme at home, including bills for privatisation and Bank of France independence.

The leaders of France's governing coalition parties – Mr Jacques Chirac of the RPR Gaullists and Mr Valéry Giscard d'Estaing of the UDF centre-right – had counted on Mr Balladur to quickly put the economy to rights (without acquiring the sort of political profile that might challenge their own ambitions to the Elysée in the 1995 presidential elections).

Mr Balladur seems unnerved. He is having to watch his back and front. At his back, he has restive members of his own RPR party. Forty of them deserted him on the bill making the Bank of France independent, while the view of a larger number has been voiced by Mr Philippe Séguin, the National Assembly president, who has warned the government risks "a social Munich" by surrendering hard-won welfare rights in the fight against unemployment.

From the centre-right, has come the recommendation from Mr Raymond Barre that the government should bend to recession and follow a "more flexible" budgetary policy – giving greater priority to unemployment than to the budget deficit.

As if the sniping within government were not enough, Mr Balladur's problems outside cabinet are much more pressing. Some 3.1m are unemployed. The PM has no way of knowing how much higher the jobless figure can go without risking social unrest.

Particularly chilling were the words last month of Mr Dominique Strauss-Kahn, industry minister in the last Socialist government. He said the government "has no chance of success [in fighting unemployment] because it is roughly following the same policy as we did". He was referring to the fact that Mr Balladur had done little more in his first budget on May 10 than reinforce the budgetary rigor on which the late Mr Pierre Bérégovoy – Mr Balladur's predecessor – prided himself.

The Balladur One budget involved cutting the 1993 budget deficit from FFr333bn (£38.81bn) to FFr317bn, by making FFr21.5bn in cuts and raising an extra FFr7.7bn in taxes.

But it produced a backbench revolt in the governing parties because its net effect looked likely to depress the economy. Two weeks later, Balladur Two was unveiled. The centrepiece of this is a FFr40bn bond issue, to be covered by the proceeds of privatisation this autumn. Much of the state borrowing would go to expand the temporary work schemes which the Socialists had developed.

Mr Balladur is still calling on people to be patient for results. "When I hear people say they will judge our policy in September, they are talking nonsense because our measures will only have been in effect for a week or two by then," he scolded recently. But it is now clear that he is no longer in a position to bank on the patience of his countrymen. Last week he said he would in September propose personal tax cuts in a reflationary package which will also include larger depreciation allowances for companies to boost investment. France will then have Balladur Three.

Officially, the government has committed itself to a five-year plan to reduce the budget deficit from the equivalent of 4.4 per cent of gross domestic product this year, to 4 per cent next year and to 2.5 per cent by 1997. This last target is largely political, because it would put France within the Maastricht treaty convergence limits just in time for it to be eligible for the European Community's first stab at monetary union.

Reducing next year's budget deficit to FFr300bn is not impossible given some growth after this year's contraction in the economy. But if it is not achievable, there will be little dismay in a government which, apart from perhaps Mr Balladur himself and his loyal budget minister, Mr Nicolas Sarkozy, is more worried about recovery than book-balancing.

Gaullists have always been more concerned about social welfare than, say, today's British Conservatives, while the UDF minister responsible for small business, Mr Alain Madelin, is one of France's very few genuine economic liberals. He argues, and to good effect in Mr Balladur's ear, that France's whole crisis started with investment being cut in 1991-92, and that the crisis will end only when investment picks up. Given that interest rate levels are still constrained by Germany's monetary stance, the next best thing the government can do to revive the key intermediate capital goods sector is to lower other charges, notably fiscal, on industry.

In fact, the German monetary constraint on France has diminished. Since April, France has cut its interest rates 10 times, and only on two occasions has it waited for the Bundesbank to act first.

If France's inflation remains lower than Germany's and its growth prospects less miserable than Germany's, and if Germany refuses (as is likely) to devalue the D-Mark against the franc, then the French currency would remain conveniently undervalued against German money. This would help French trade, at least across the Rhine.

But France's record FFr16.2bn trade surplus in the first quarter of this year (triple the surplus in the same period of 1992) mainly reflects recession at home, with the fall in imports outpacing that in exports. There is nothing in it to give France the self-confidence that would change its attitude to talks aimed at reaching a new General Agreement on Tariffs and Trade.

If anything, this attitude has got tougher and more precise. Initially Mr Balladur did not seem to know where he was going. Explaining why he had three times refused Mr Balladur's offer of the agricultural portfolio, Mr Charles Millon, the UDF parliamentary leader, said: "I never managed to discover what policy he wanted me to adopt." Eventually, Mr Balladur decided to accept an EC accord with the US on oilseeds production, but to fight Washington, and the rest of the EC if need be, on other farm trade issues.

Mr Balladur is right in claiming that Gatt is a test of the EC's identity. If the 12 were now to come apart on trade, then Maastricht and all its pledges of European unity would mean little.

The prime minister is therefore taking a gamble with France's investment in Europe. In doing so, he has particular need of Mr Mitterrand's support, especially in light of the president's rapport with Helmut Kohl. That dependence on the Socialist president may yet come to haunt Mr Balladur's fellow conservatives.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Help computer sector by scrapping tariffs

From Mr G S Shingles.

Sir, Decisions are about to be taken behind closed doors in various foreign capitals which will have a serious effect on thousands of jobs in the computer industry of Britain and other EC member states.

I refer to the decisions on whether or not to remove the high level of tariff and duties which apply to most semiconductors (14 per cent) and computer parts (4-6 per cent) imported from outside the EC. I would like to draw your attention to the following points:

- Digital alone employs about 7,000 people in the UK (and about 30,000 in the EC as a whole). Seventy per cent of its integrated computer systems plant in Scotland is exported to the rest of the EC.
- Digital is not alone. Hundreds of thousands of other jobs depend on the European production and sales of companies such as IBM, Unisys, Compaq, Apple, Intel and many more.
- The computer industry is vital to Britain and Europe's future, yet it is competing with one hand tied behind its back. Our competitors in Japan, the US and Canada have abolished duties on computer parts and semiconductors and can therefore source these items duty free from anywhere in the world. We cannot.
- Digital wishes to expand its UK operations to serve the EC and global market from the UK. We have made enormous investments in manufacturing capacity to this end. Our ability to manufacture is substantially impaired by tariffs which distort our sourcing and limit our ability to compete.
- The duties are protectionist serving only to protect the narrow vested interests of certain component makers and "board staffers" in France, Germany and Holland.
- Protectionism is not the answer. It only plays into the hands of our competitors. Eliminating the duties will strengthen the computer industry in the UK and the EC, creating jobs, encouraging investment and creating export opportunities.
- The EC is looking to trade off a reduction in duties on computer parts and semiconductors for American "concessions" in other areas (such as textiles) – concessions which may, or many not, be forthcoming. The competitiveness of our sunrise industries is too important to be played with in this way. It is in the UK and the EC's own interest to abolish the duties now – a point recognised years ago by our competitors in the US, Japan and Canada.

Time is running out. A deal may be done on the fringes of the Group of Seven discussions in Tokyo as early as tomorrow. I call upon the European Commission, the British government and its partners in the EC to look to the real interests of the European computer industry as a whole. Eliminate computer parts tariffs now: don't gamble with the future of this vital sunrise industry and the manufacturing jobs within it.

G S Shingles,
chairman,
Digital Equipment Company,
Warton Grange,
Reading, Berkshire RG2 0TE

Safety and security issues no argument against gas competition

From Mr Peter Bryant.

Sir, Mr Cedric Brown of British Gas (Letters, June 30) is right to say that there must be no compromise on the issue of safety and security of supply in introducing fair competition into the domestic gas market. However, these important issues should not be used as an argument to block the introduction of competition, but rather to frame necessary high standards of service to which those companies wishing to supply the domestic consumer must adhere.

In submissions to the Monopolies and Mergers Commission by ourselves and several associated energy utilities we also stressed the need for safety and security of supply. We advocated retaining a single transportation company and a separate storage company. This combination would permit clear and transparent charging of services to all users, including British Gas's marketing operations. It would also facilitate the maintenance of the same standards of safety and security of supply as customers currently enjoy.

We stand by our belief that the new domestic gas suppliers should be allowed to compete on a fair and equal basis with British Gas and must be prepared to share fully in the social obligations that the Gas Act currently vests solely with British Gas.

Further, the creation of a new and comprehensive public gas supplier licence will lay to rest once and for all British Gas's arguments over independents "cherry picking" more lucrative customers and effectively ignoring the needs of the socially disadvantaged. We do not disagree with Ruth Evans of the National Consumer Council (Letters, July 1) that competition must prove its worth before regulation can be relaxed; indeed we espouse the phased introduction of competition in the domestic market to ensure that consumer interests are fully respected.

The introduction of competition into other privatised monopolies has brought benefits in both price and standards of service to domestic consumers. In the case of gas, British Gas admits that, of the 25,000 firm industrial/commercial contract gas users now able to enjoy competition, more than 50 per cent have chosen to leave British Gas in favour of competitive supply. How long must the 18m UK domestic gas customers wait before they can enjoy the same freedom of choice?

Peter J Bryant,
deputy chairman,
Utilicorp UK,
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Smokescreen surrounds UK's objective of resuming nuclear tests

From Dr Sean Howard.

Sir, All indications are that President Bill Clinton will shortly announce an extension of the US moratorium on nuclear testing. Britain uses the US site in Nevada, and cannot test unless the Americans lift their ban. The decision the president looks set to make would be a heavy defeat for the British government, which has been lobbying fiercely for a resumption of tests.

There is a widespread misconception that Britain wants to test to make sure that its existing nuclear weapons are safe and reliable. This misconception has been deliberately fostered by British officials in Washington. However, if parliamentary answers by government ministers are to be believed, Britain does not need to test Polaris, the WE177 free-fall bomb or Trident for safety or reliability.

On November 30 1992 Viscount Cranborne said: "We are concerned purely with the safety of future systems." Not the future safety of existing systems, but the safety of new nuclear weapons. On October 23 1992, armed forces minister Archie Hamilton, asked what the implications of the moratorium were for Trident, stated: "There are no implications for the Trident warhead programme, the tests for which have been completed."

In fact, there are safety worries about British nuclear weapons, but they could all be rectified without a single nuclear test, by changing operational procedures. Safety is used as a smokescreen to obscure the real purpose of tests. Recent reports in Washington suggest that Britain wanted to test a replacement warhead for the WE177.

British weapons development tests in Nevada would have caused a storm of protest on Capitol Hill, in this country and elsewhere. It seems that once it became clear that its safety and reliability cover had been blown, the government concluded that the game was up and withdrew its plans to test.

The government will doubtless now proclaim itself as world leader in the fight against nuclear proliferation.

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Japan and the US at odds

WITH THEIR erstwhile common enemy dissolved, industrial countries must build their relationships on a foundation of enlightened self-interest. Unfortunately, they are far from enlightened, though powerfully self-interested. The relationship between the US and Japan established after the second world war looks likely to be the most important casualty.

Lawrence Summers, now US undersecretary of the treasury for international affairs, argues that the US has developed a "comprehensive and integrated approach" to the twin problems of the Japanese current account surplus and the low penetration of manufactured imports. The US will, he says, focus on results. It will also bring high level pressure to achieve what it wants in semi-annual meetings of the two heads of government. If agreed, the US proposals would define the relationship between the world's two most important economies. If not agreed, they would cause serious conflict. Either way, they are hugely important. The question is whether they also make sense.

Mr Summers is right to distinguish the overall Japanese current account surplus from its allegedly low import penetration. More questionable is the suggestion that "excessive" current account surpluses must be reduced to 1½ per cent of gross national product, in order to create up to 2m jobs in the rest of the world. An economy cannot be forecast precisely enough to make such targeting workable. The analysis is also both too mechanistic and too short run. In the longer term, export by the Japanese of a mere 10 per cent of their gross savings should be welcomed. What could be a more useful outcome of the capital market liberalisation that the US has so long promoted?

What the world does need from Japan is a strong recovery and, in the longer term, sustained growth of demand in line with the economy's potential. Mr Summers is right to demand improvement in Japanese macroeconomic policies. The biggest mistakes have been in monetary policy, where the Bank of Japan first allowed a liquidity-driven financial bubble to develop (partly in response to earlier US pressure for economic expansion) and then eased both too late and too little.

The second US complaint is about low import penetration. There do remain official impediments to imports. But the main obstacles are, without doubt, Japanese businesses, which believe that they benefit from their long-term relationships, and nationalistic Japanese consumers. To eliminate barriers created by governments is indeed to "unmanage" trade, as Mr Summers claims. But to force private organisations to buy goods they do not want is to manage it once more.

Mr Summers insists the targets would not be for US goods alone. But the goods on which the US focuses are those, like supercomputers, in which it thinks it is competitive. He argues that the aim is to replicate the results of a free market. But nobody knows what those results might be. He argues that the desire is to eliminate distortions in the Japanese economy. But the result is bound to be further management by the ministries. He denies that the quantitative benchmarks will be triggers for "hair trigger retaliation". But it is deeply naive to suppose US industry will prove so understanding, as the history of the semi-conductor agreement has demonstrated.

The world desperately needs a more enlightened approach. On macroeconomic policy, the best solution would be for Japan to accept continued appreciation of the yen, mitigated, where necessary, by further easing of its monetary and fiscal policies. On imports, the Japanese should propose a binding multilateral procedure, within the Gatt, capable of requiring any member country to change policies that deprive trading partners of the benefits they had reasonably expected from liberalisation. Japan should propose just such a reform, along with agricultural liberalisation, as its contributions to completion of the hapless Uruguay Round. But first it must say no to US demands for managed trade.

Euro retreat

THE RECENT decision to put the European Community's liberalising directive on pension fund investment into bureaucratic limbo may not be the most significant retreat to date from the European ideal. But it is still important since it perpetuates a series of distortions in the EC capital markets arising from artificial restrictions on investment in different classes of assets and currencies. Coming after the turmoil in the Exchange Rate Mechanism, it appears in effect to put an end to the prospect of a single EC capital market for the foreseeable future.

There is no economic logic in the decision to shunt the matter back to a working party. Portfolio theory has established beyond reasonable doubt the benefits of diversification. These are more than sufficient to off-set exchange rate risk. The political logic, in contrast, is clear. The chief beneficiary of the status quo is big government, which will retain the right, in certain countries, to finance growing budget deficits from captive institutional money at artificially low interest rates. As the practice of funding occupational pensions catches on in continental Europe to help reduce the strain on public finances of ageing populations, less of the management will find its way to efficient hands in London or Zurich.

The losers are Europe's pensioners, who will receive lower returns for any given degree of risk. While rich investors exploit the freedom to invest globally that comes from the abolition of exchange controls around the Single Market, poor to middle-income people whose savings are managed by institutions will suffer relative disadvantage. Companies in countries with restrictions that push investors towards government bonds may suffer from a higher cost of capital than otherwise. Everyone loses, in the sense that the benefits to the European economy of an efficient, integrated EC capital market are being thrown away.

Though the arguments appear technical, there is a wider symbolism. If the EC opts for protectionism in an area where the political cost of liberalisation is so paltry, how will it avoid a retreat into economic nationalism on larger issues? The prognosis is poor.

Managed news

BY OPPOSING change in the timing of News at Ten, the independent television network's flagship news bulletin, the government may temporarily have mollified its back benches. In doing so, however, it has highlighted growing internal contradictions in what passes for Britain's broadcasting policy, which cannot be resolved by a political quick fix.

The ITV companies want to shift News at Ten to an earlier prime time hour to make way for programmes which will attract bigger audiences and advertising revenues. It is hard to fault their logic, since the explicit purpose of the government's reform of the ITV franchise system was to induce the companies to behave more commercially.

The Independent Television Commission's objection that the proposed programme change would violate the companies' licence obligations is tenuous at best. The ITC asserts that, when bidding for franchises, several indicated in their proposed programme schedules that they would keep News at Ten at its traditional hour. But that was never a condition of the franchise licences. By attempting to impose it now, the ITC seems to be suggesting it can veto any departure by franchise-holders from their original schedules.

There are legitimate grounds for arguing that, television news, as the main source of information for most of the population, occupies a special position. Ideally, diversity and impartiality should be encouraged by free competition. But if that cannot be achieved by the market, regulation - and even some public funding - may be required. However, the sole aim of such measures should be to safeguard the integrity and editorial independence of news providers.

Regrettably, that does not appear to be main concern prompting the prime minister and Mr Peter Brooke, the heritage secretary, to intervene publicly in the News at Ten affair. Indeed, Mr Brooke's hint that the ITV companies should back off if they want him to relax the current takeover restrictions on them hints at potentially murkier motives.

The government cannot have it both ways. If Britain is to have a television network that is genuinely commercial and independent, it must be allowed to develop free from capricious regulation and political meddling. A new framework is needed, which also takes account of the BBC and the growth of alternative broadcasting channels. The longer the government delays confronting that challenge, the more glaring will become the shortcomings of its existing policies.

Philip Stephens on soul-searching in the two main UK political parties

Advocate of active government

Mr John Smith should be luxuriating in Mr John Major's misfortunes. It is not often an opposition leader can count on a government to shoot itself in the head. The last to do so with such unerring accuracy was the government of the then Mr James Callaghan. That brought Mrs Margaret Thatcher to power and the 14 years of Conservative rule of which Mr Major remains the beneficiary.

But the Labour leader has less cause for celebration. If the government is a shambles, the opposition has yet to show it can win the lasting affection of an electorate angry with the Conservatives. The fear in too many Labour minds is that while voters may be ready now to desert the government, in the end they will prove once again to be strictly temporary converts.

A year on from his election as Labour leader Mr Smith is the target for sniping at Westminster. The aggressive modernisers who want to replace socialism with social democracy are impatient with his careful, studied approach to change. The traditionalists accuse him of being too easily pushed into betrayal of Labour's past.

More curiously he finds himself in bitter confrontation with the trade unions which 12 months ago anointed him as Mr Neil Kinnock's successor. If he loses his fight to weaken the unions' collective voice in party decision-making his leadership will be severely compromised.

Mr Smith is unmoved. A self-assured Scottish advocate whose politics are infused with a streak of Presbyterian moralism he refuses to sweat in the Westminster hothouse. Confident or complacent, he points to Labour's gains in the county council elections in May (Labour is running Norfolk for the first time in 103 years) and to its successes in exploiting Mr Major's troubles with everything from the economy and Maastricht to Mr Asil Nadir and party funding.

So he replies briskly to criticisms of a "remote" style. "They say that of every leader." Suggestions that Labour's message lacks resonance in the country are brushed aside. "I was elected to win the next election. That is my overriding purpose. I try to think every day what I have done to advance that purpose. And I will win the next election. There is no doubt about that."

He insists he has set out with clarity the policy framework for that election. The independent Social Justice Commission is to publish soon the first comprehensive map of British society since the Beveridge Report 50 years ago. The national policy forum, which now steers policy-making, has prepared detailed approaches to the economy, Europe and democracy.

But if there was a recurring theme during the interview – the "big idea" always demanded of politicians by political commentators – it was his conviction that government can and must change things. "The notion of the government taking reponsibility is the key division between the political parties." Labour's guiding principle was simple. "There is no dramatic choice between prosperity and justice. The task of politics is to improve our society. A strong economy and a fair society is my slogan."

He began with an uncharacteristically passionate commitment to constitutional change: Scottish and Welsh devolution, regional assemblies, stronger local government, a bill of rights and freedom of information, a purge of Whitehall quangos. "Our constitution and our forms of government have become antique and foolish. I really think we have to move from being subjects of the Queen to citizens of a modern state."

The labour leader says he will not blink in his bitter showdown with the trade unions

He was not (lest the tabloids take fright) talking about abolishing the monarchy. But he believes the theory of the British constitution – based on the sovereignty of the monarch in parliament – has prevented explicit statements of the rights and obligations of citizens.

Parliament had become "weak and ineffective"; the spawning in areas such as health and education of a "new magistracy" of officials appointed by Whitehall was "offensive to democracy"; local government had been undermined.

Mr Smith wants pluralism. "Decentralisation of government, a new style of open government, systems that lead to more honest government." This was not simply a chattering classes issue. There is a moral undertone. "There is a great deal of unease in this country not just about our economic decline and the social disintegration but also about the style and manner and purpose of government."

What then about electoral reform? The party's inquiry under Professor Raymond Plant had called for a proportional voting system for the House of Commons to put an end to the winner-takes-all principle in British politics.

Mr Smith rejected the Plant recommendation but has promised a referendum. Political opportunism? He was unapologetic. A change in the voting system would break the essential link between MP and constituency. "You need to have constituencies in the British political system. You cannot have two classes of members, one without a constituency and one with."

Nor did he want compromise government. "Inevitably you end up with coalition governments in which the tilt to left or right is decided by the middle party. I can see why the Liberal Democrats are in favour of a system like that because they would never be out of power." But his promise of a referendum was serious: "I accept that this is an important debate which has to be decided. I genuinely want a referendum, there will be one."

One thing there would not be was any pre-election deal with Mr Paddy Ashdown, leader of the Liberal Democrats. "We are not interested in electoral pacts or electoral deals for the very simple reason that parties do not own votes. I have no right to instruct Labour voters to vote in any particular way."

It is on the economy though that Mr Smith will stand or fall. He must shape an economic policy that persuades a sceptical electorate he can trusted with their taxes.

The party has quietly abandoned the tax plans which cost it in 1992 the pivotal support of southern England's aspiring classes. Nationalisation is no longer a word that passes Labour lips. New spending commitments have been outlawed. But even those who follow politics closely are unsure where Mr Smith would strike a balance between the respective roles of markets and states, between spending and taxes.

Trevor Humphries
John Smith: 'I will win the next election. There is no doubt about that'

He disclaims the party's dirigiste past. It is no longer interested in state ownership or planning, in spending for the sake of it or in soaking the rich. But neither does it share the Tories' faith in markets.

Back to active government. "We are defining what governments can do and what markets can do. Let markets decide the price of potatoes but let them not decide on access to education, health or on the shape of our training policy because they can't do that."

Government must act as catalyst for advance; investing in education, training, science and technology. More public spending then? Yes. "It's investment and you have got to invest to get a rate of return." Mr Smith sees the trap; spending, he adds, will only rise as fast as the country can afford. That will depend on stronger economic growth. But on the principle of intervention he is unapologetic: "Government must do the things that without government intervention will not happen. That is not a dirigiste, command-style economic policy."

Nor does intervention mean direction from Whitehall. Just as political power should be diffused to the regions so too should the government's role in supporting industry. For Mr Smith the model is not the National Enterprise Board of the 1960s but the Scottish Development Agency of the 1980s.

A long-term approach is the way forward. "The most important thing about economic policy is to get away from short-termism which is the endemic British disease and a very strong feature of Conservative government." As for his tax plans they will be spelt out only much closer to the election. They will be fair but not penal.

All this though will be irrelevant if Mr Smith loses his conference showdown over party democracy with those erstwhile allies Mr John Edmunds and Mr Bill Morris. Mr Smith has staked out a position on the issue of one-member-one-vote which most of the unions have flatly rejected. On the present arithmetic he would lose the vote at conference. Someone has to blink. Mr Smith says it will not be him. "I will fight on. My argument is right. I will maintain it." Quite simply he cannot afford to lose.

Hunt: pragmatism over ideology

Tories return to the centre

One-Nation Toryism is reclaiming its inheritance. The battle for the soul of the Conservative party has been joined in earnest.

Amid the chaos of Mr John Major's government, the disciples of the social rather than the liberal market have decided it is time at last to disclaim publicly the ideology of the 1980s. Thatcherism is to be consigned to the history books.

Mr David Hunt, the employment secretary, put the case at the weekend in a lecture to the Tory Reform Group. The Thatcherite revolution had been appropriate when the trade unions had to be tamed, the state role cut back, the power of market competition unleashed.

But the government had moved too far in the direction of unfettered markets. There was such a thing as society. And Conservatism should recognise "the moral and social inadequacies of laissez-faire".

Of itself the lecture – with its call for the party to look again to the Christian Democrat tradition in the rest of Europe – was no surprise. Seen from the right of the party Mr Hunt has always been as "wet" as he is clever. A disciple of Peter Walker and Michael Heseltine he has never disguised his preference for pragmatism over ideology. The lecture contained strong echoes also of the advocacy of a European-style social market which Mr Chris Patten offered in an interview in Marxism Today as long ago as January 1990.

But Mr Hunt's decision to recall the traditions of a one-nation, pro-European Conservatism was only one piece in a jigsaw. After living in the shadow of the recalcitrant Euro-sceptic right of the party at Westminster the social marketeers have decided to assert their authority. With the end in sight of the Maastricht bill there is a new sense of liberation.

Six weeks ago Mr Stephen Dorrell, still outside the cabinet but talked of as a future leader, issued a sharp warning of the risks of "dogmatic attachment to market economics". If Toryism meant high living standards and individual choice it also stood for social stability and evolutionary change.

Mr Malcolm Rifkind, the defence secretary, took up the same theme in a recent newspaper article. Tories had to remember that the pursuit of low inflation, privatisation and public spending restraint were means rather than ends.

But the pivotal change was been Mr Kenneth Clarke's move to the Treasury. A self-styled member of the "hard-centre", he has dispensed with the monetarist rhetoric of policy-making during the 1980s.

Sure Mr Clarke wants low inflation, tight control of public spending and the opportunity to cut taxes. But he has no desire to dismantle the welfare state. He wants to listen to industrialists as well as City economists. The language of pro-Europeanism and partnership has returned to the Treasury.

None of this presages a return to 1970s-style corporatism. Lady Thatcher shifted the centre of gravity in politics. Many of those now proclaiming the virtues of the social market would a decade ago have been judged to have been on the right rather than the centre-left of the party.

Nor are they without enemies in the cabinet. Mr Michael Howard, Mr Michael Portillo, Mr Peter Lilley and, most recently, Mr John Redwood, remain faithful to a more liberal, individualistic creed. The government's slim majority and Mr Major's weakened authority makes them a powerful force.

On the day Mr Major won the party leadership he turned to a friend in the lobby of the Commons and proclaimed: "We are in charge now. The party is in our hands." He was wrong. The right has fought a dogged rearguard battle. But Mr Hunt and others are determined now to claim that victory.

OBSERVER

Precious time

■ As is shown by numerous courses for executives on how to manage their day efficiently, time is a valuable resource. It can also have costly implications, as deposed minister Michael Mates now knows all too well.

But in looking back on the watch that started the countdown to his resignation, he can at least have the consolation of knowing it could have cost him even more. Take the latest *Grande Complication* timepiece from Swiss manufacturers Blancpain.

Platinum-cased, the watch's mechanical workings include 780 moving parts, all hand-made, and took four years to perfect. Its six functions include a perpetual calendar, a chronograph with a split second, a minute repeater, and moon phase. Only 30 are to be produced at the rate of five a year. And the price?

SF800,000 apiece although, on Friday night's exchange rates at any rate, £351,650 or so would do.

As seen on TV

■ Buy that man a drink. Nice to see that Christopher Morgan, Asil Nadir's unpaid PR man, hasn't lost his sense of humour. Amid all the other calls he had to field last week was one from surveyors Stirling Ackroyd, wondering if Morgan's infamous overseas client might be interested in re-investing in the London property market.

Although the investment in question was being handled by upmarket rivals Richard Ellis, acting for a bank whose overseas client had gone bust, the man from Stirling Ackroyd felt Morgan's client ought to be alerted to one of the hottest properties currently on the market – 12-16 Elm Street, home of the Serious Fraud Office.

Word in your ear

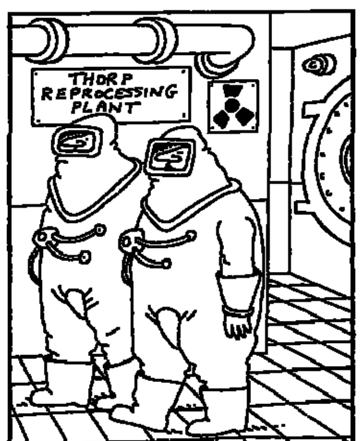
■ One of the perks for some newspaper proprietors is being able to dictate what goes in one's own newspapers.

So no surprise then that Lord Stevens of Ludgate used yesterday's Sunday Express to issue a long personal statement correcting several "highly misleading articles" in rival newspapers criticising his chairmanship of United Newspapers which is raising £190m via a rights issue.

"There has been no direct or indirect criticism" of his twelve year stewardship of United, only quotes from anonymous fund managers says Lord Stevens. "Neither our merchant banks, nor our other advisers, have received any complaints whatsoever". Indeed, The Times and the Daily Mail both endorsed his cash raising exercise notes Lord Stevens.

That said, it would be surprising if there were not a few fund managers who had some doubts about the wisdom of keeping Lord Stevens as United's chairman given that the two other quoted companies he has been involved with, Invesco MIM and Alexander Proudfoot, have both cut their dividends over the last year.

A dignified silence would have been more appropriate.



'My job's got a half-life of three weeks'

In the balance

■ Top US trade economist Jagdish Bhagwati had a professional answer pat when questioned about his future with the international trade watch-dog, the General Agreement on Tariffs and Trade.

An eloquent and unflagging champion for free trade, he has long played a quiet but important role as economic policy adviser to Gatt director-general Arthur Dunkel. With his retirement after 13 years last week, however, the adviser's present contract ended.

Would new director-general Peter Sutherland feel a need for the kind of trade policy knowledge that his predecessor had so valued?, Bhagwati was asked. "There has been no demand, and until then there will be no supply," was his only comment.

Black marks

■ Whoever deserves a plus mark in this summer's Advanced-level exams, it is not the senior examiner responsible for a mathematics paper set by one of the A-level boards: the Oxford University Delegacy of Local Examinations.

He included in the mechanics paper a complex problem requiring candidates to prove, among other things, that a stone catapulted at a moving target would hit its mark.

His own workings and checks showed that, handled properly, the information given in the question yielded a quadratic equation which provided the answer. The equation was:

$$4t^2 - 8t + 5 = 0$$

But when the A-level candidates sat the problem last month, the best equation any of the could derive from the data was:

$$4t^2 - 8t - 5 = 0$$

which didn't yield any sort of answer at all.

The Oxford board's chagrin is all the worse because between the setting of the problem in autumn 1991 and the exams 21 months later, the paper was subjected to repeated checks in which it was scanned by numerous staff. "We thought our system was fool-proof," said an official ruefully, "but they can obviously still get though."

He's right. On Eddie George's first morning as Bank of England Governor he was given a champagne send-off by the newsagent who supplies his FT, Bernie Webb. In reporting the event, Observer – who attended without over-indulging – printed his surname as Kemp.

Apologies to Bernie, and heart-felt sympathy to the Oxford board.

Daylight robbery

■ A jeweller rushed into a police station gasping that an elephant had just broken his shop window, scooped up the priciest contents with its trunk, and lumbered away.

Sceptical, the desk sergeant asked: "What sort of elephant was it,sir – the African type with big ears or the Indian kind?"

"How should I know that?", snapped the jeweller. "It had a stocking over its head."

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Nadir redirected £565m from Polly Peck for personal use

By Andrew Jack in London

MR ASIL NADIR, the Turkish Cypriot businessman who fled fraud charges in Britain, misappropriated as much as £565m ($847m) from banks, bondholders and shareholders in the last few years of his chairmanship of Polly Peck International to fund a wide range of his personal and business interests.

As the battle over the conduct of the case against Mr Nadir continued to rage, a Financial Times investigation has identified how Mr Nadir removed £371m from the group in the the three years leading up to the beginning of investigations by the UK government's Serious Fraud Office in 1990.

At least another £194m remains unaccounted for and could possibly also have been misappropriated. Mr Nadir jumped bail and fled to northern Cyprus in May.

The analysis, based on writs, creditors' reports, company documents and interviews with employees and investigators, shows for the first time the complex movements of funds out of the Nadir business empire into his private activities.

Most of the money which was misdirected for Mr Nadir's own purposes came from more than £1bn raised for PPI in loans, rights issues and bond issues in the UK, Switzerland and other financial centres before his company went into administration in October 1990.

Mr Nadir – with the alleged help of a small group of associates in London and northern Cyprus – then switched the money in and out of a number of the group's bank accounts in several countries before using it to:

- Buy about £100m of PPI shares through a series of Swiss and Jersey trusts, most of which were not disclosed.
- Prop up lossmaking businesses principally in Turkey and Cyprus
- Buy hotels in Cyprus,help purchase two stately homes in England and furnish his properties with valuable antiques
- Create a printing and publishing empire in Turkey and Cyprus.

All but £30m of the £371m has been traced but realisations so far total just over £1m. Little more is likely to be recovered.

The money-go-round began in a series of Polly Peck bank accounts in London, loans to the company and letters of credit. The funds were recorded as transactions in "inter-company accounts" or loans from the parent PPI group.

Between September 1987 and October 1990, £245m was channelled into northern Cyprus subsidiaries, mostly to Unipac, a packaging company. Another £126m was booked to Turkish subsidiaries including Meyna, the fruit business.

The money passed through several different bank accounts in the names of these subsidiaries, including NatWest in Jersey, a correspondent account with Midland bank in London on behalf of the Industrial Bank of Cyprus, and Impexbank in Turkey.

A process of what experts call "cloaking" then took place, with money apparently switched between accounts to confuse the trail. Most funds were transferred into the Industrial Bank of Cyprus and Impexbank, both of which were controlled by Mr Nadir during that period.

Only at this point was the money – which was still shown in the accounts as borrowings to PPI subsidiaries – misappropriated into activities outside the group such as the purchase of PPI shares, the propping up of lossmaking businesses, and the purchase of property and antiques. These were never declared in the accounts.

It was also during 1987-90 that Mr Nadir made donations to the Conservative party of at least half the £440,000 the Tories admit getting from the businessman. Substantial contributions also went to charity.

A Citibank account in Switzerland in the name of his mother, Mrs Safiye Nadir, emerges as a key conduit for the money. Some was passed on to Corvo, the Jersey trust which funded South Audley Management, the London company which managed Mr Nadir's personal interests.

Some PPI money to buy shares in the company was channelled through Restro, the Jersey trust.

Other money for share purchases went through secret trusts including Riverbridge in Switzerland.

About £85m went to fund Mr Nadir's printing empire in Turkey, including a number of lossmaking newspapers and an airline.

Where the money went; Call for public inquiry, Page 5

Mickey and Donald go back to China

Continued from Page 1

who will not be making an appearance in China for the time being include the Beagle Boys, whose criminal exploits might not sit well with Chinese ideas about the role of art and literature in public education – even though, in the case of the Beagle Boys, justice invariably prevails.

Mr Zhao believes Walt Disney's enduring creations will prove a force for good in China.

"They not only make children happy but also add to their knowledge and broaden their outlook," he observed.

Disney executives have designs on various aspects of the China fantasy market, and comics would be only the beginning.

Other Mickey Mouse endorsed products would include garments, sporting equipment, toys, stationery and drinking mugs. Television will also play its part in spreading the Disney gospel.

Altogether, there are about 50 shops throughout China selling Disney products, but this marks a modest beginning.

Disney executives hope that, in time, China will overtake the Japanese market, which is proving an enormous money-spinner for the entertainment company whose global receipts last year exceeded $7.5bn.

Touched, perhaps, by Uncle Dagobert's love of the green, folding stuff, a Disney executive was quoted the other day as saying that he couldn't "stand the thought of a generation [of Chinese] growing up without Mickey Mouse."

France calls for test ban

Continued from Page 1

can "live with" a US test ban as long as it receives help in computer simulation techniques to replace live tests. The UK has to follow Washington's policy, since it relies on the US test site in Nevada.

The UK Ministry of Defence said it had no plans to test elsewhere and would seek further consultations with the US. British planners are believed to want tests to update the WE-177 gravity bomb, which will have to stay in service beyond the end of the century, and to perfect safety features on the UK warhead for the Trident submarine-launched missile. However, the main programme of Trident warhead tests is complete.

In the US, Mr Sig Hecker, director of the Los Alamos National Laboratory, made clear he had wanted to carry on testing right up to the implementation of a comprehensive test ban.

After a divisive debate in the administration, pitting the Pentagon, the State Department and the nuclear weapons laboratories against the Energy Department and the Arms Control and Disarmament Agency, the White House had initially come down in favour of nine further tests – three of which would have been British – in the next three years.

Mr Clinton's ultimate decision to extend the moratorium on tests, unless another nation resumes testing, reflects belated recognition of the political reality that both the House of Representatives and, more surprisingly, the Senate remained solidly opposed to more tests.

Bid to heal Japan-US rift

Continued from Page 1

Clinton and Mr Kiichi Miyazawa, the Japanese prime minister, are due to agree the trade talks framework at a bilateral meeting this week.

The Japanese strongly oppose the US plan for numerical targets which, they argue, would require the government to guarantee a share of the domestic market for foreign producers. Part of the opposition may reflect the political turmoil in the country before the general election on July 18. The government's weakness has emboldened bureaucrats at the powerful ministry of international trade and industry to harden their opposition to the use of numerical measures. However, officials in the foreign ministry are concerned that the country should not be seen to be rudderless over the most controversial issues in its relations with the US.

The Japanese offer will at least allow Mr Clinton and Mr Miyazawa to rebut claims that the talks have broken down.

The plan will not in itself satisfy US demands enough to provide the basis for a deal, although it is a step towards the US position. In Washington, Mr Warren Christopher, US secretary of state, said he wanted to "lower expectations" of a bilateral trade agreement between the US and Japan.

Anti-terror barriers for City centre

By Gillian Tett, Jimmy Burns and Lisa Wood in London

AN anti-terrorist security cordon around the City of London faces its first test today amid fears that it could cause widespread traffic congestion.

The cordon, which has ringed London's financial heart with 24-hour police checkpoints, has received broad support from business, which pressed for tighter security after a bomb planted by the Irish Republican Army devastated Bishopsgate, a main route through the city, two months ago.

But with 18 access roads leading into the Square Mile - the prime financial area in the east of London – being closed under the scheme, police and city leaders were preparing for a barrage of complaints from frustrated motorists.

The City of London Police, stressing that the scheme was experimental, appealed to commuters to leave their cars at home. "For the first days there will be problems. It would be naive of us to expect otherwise," the police said.

The RAC motoring organisation said it was unhappy about the City being treated in isolation. "The scheme could transfer the traffic, and potentially, the terrorists to other areas," it warned.

There has been mounting concern about the possible propaganda gains the scheme could offer to the IRA.

THE LEX COLUMN

The new Gas man cometh

The impending retirement of Mr Robert Evans leaves British Gas looking for a new chairman at a difficult time. No one is likely to accept the post while the company is in the Monopolies and Mergers Commission's star chamber. But, assuming that British Gas survives more or less intact, the matter cannot be left much longer. At present the company has not said whether it is looking for a non-executive figurehead or someone to take a more active role, though the appointment of Mr Cedric Brown as chief executive implies the former.

Mr Brown is an able engineer who seems to realise that the company's sleepy culture must change, and he is tackling the excessive cost base of the company. It was also unfortunate that he has had to take over at such a difficult time. Yet the company's response to the MMC inquiry has been for the most part reactive and unfocused. It has given little impression of the kind of company it would like to be, save that its critics are wrong and it should be left as it stands.

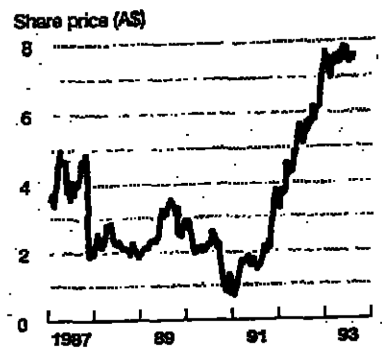
British Gas needs a more coherent vision of its future and its priorities. It also needs an advocate who is able to explain that strategy clearly. A strong chairman from outside the gas industry might bring these skills, particularly if he were to work with Mr Brown on a full-time basis. That might also help blow some more fresh air through the company's still-musty corridors. Given his breezy approach, experience in the oil industry and the City, and now that his labours at Eurotunnel are almost over, perhaps Sir Alistair Morton might be persuaded to take the chair?

US economy

While June's US employment report was unexpectedly weak, jobs grew strongly in the second quarter taken as a whole. And if the last four years are any guide the June figures may have to be be revised up in July. Thus Friday's employment figure may be an aberration. But other indicators such as the purchasing managers' data suggest a further slowdown. Economic growth may have been below 2 per cent on an annualised basis in the second quarter.

These cross-currents make it difficult to determine an underlying trend in the US economy. One of the few things which is clear is that the improvement in productivity at the end of 1992, with strong growth but few gains in employment, is now

News Corporation



Source: Datastream

being unwound. The small increase in inflation in the first quarter and rising precious metal prices are also a worry. Such signals may deter the Federal Reserve from altering its bias towards raising interest rates. Certainly there is little prospect of an early rate cut.

With momentum slowing, interest rates stuck, and other leading economies mired in recession, strong economic growth in the second half of the year is a fading hope. Further pressure will come if Congress can agree a deficit reduction package during the summer. Higher taxes while the debt deflation process is still in train will do little for consumer confidence. Hence Mr Clinton's apparent enthusiasm for co-ordinated growth strategies in the run-up to the G7 summit. Given the improbability of such a deal, however, it seems increasingly hard to justify the optimistic rating of US equities.

News Corporation

Short of assuming Chinese citizenship, Mr Rupert Murdoch's original plans for buying into the Hong Kong-based TVB television station appear stymied. But Mr Murdoch's career has repeatedly illustrated an uncanny knack for skirting the biggest of obstacles. Beaming The Sound of Music into China appears his latest obsession. One way or another, it is a fair bet that millions of Chinese will be humming The Hills are Alive by the end of the decade. News may yet be able to gain access to TVB's valuable archives by means of a restructured deal. It may then seek an alternative base for an Asian satellite station.

After a prolonged period of enforced consolidation, News is certainly well placed for renewed growth. The company's free cash flow may surpass A$800m this year with no substantial debt repayments until near the end of the century. News seems interested in expanding in US TV stations. Its interest in a 15 per cent stake in Australia's Channel Seven shows it is not neglecting opportunities in its back yard.

Although the media industry is intrigued by News' renewed energy, it is not clear that shareholders are equally enamoured. News' grand industrial ambitions have rarely produced swift financial returns. After their surge in 1991-92, News' shares have hovered around the A$7.50 mark all this year. The benefits of reduced interest rates on its A$10bn of debt have already become apparent. News has simply had its recovery earlier than the rest of the Australian market. It will be a while before the financial implications of its next great leap forward materialise.

Oil prices

The thought that Bill Clinton and Saddam Hussein would cosy up over oil exports a week after the US bombed Baghdad is a little odd, to say the least. But such reverses are almost par for the course in the murky world of high politics. Iraq seems prepared to be more accommodating about UN security council conditions on the sale of oil. At the same time the US seems now to want to direct Iraq through a carrot-and-stick approach, rather than setting conditions it knows are unacceptable in order to exclude Baghdad from serious negotiations.

Much may go wrong in the talks, and the US is also in danger of appearing to usurp the security council's authority.Yet there is now a serious possibility that 600,000 barrels a day of Iraqi oil may be on the market by the fourth quarter of the year. Needless to say Saudi Arabia and other Opec members are less than pleased at the prospect of their market share being eroded. And once the oil has started to flow it may be hard to get the Iraqi genie back into the bottle.

Given that few had expected Iraq's re-entry, and that oil prices fell last winter despite Opec's production running near its ceiling, the current weakness in crude prices is understandable. Opec has proved at its best in tight spots. Despite the jockeying for position by producers such as Kuwait and Saudi Arabia, cartel members know that their best interests are served with oil approaching $20, rather than by pumping the marginal barrel of $15 crude.

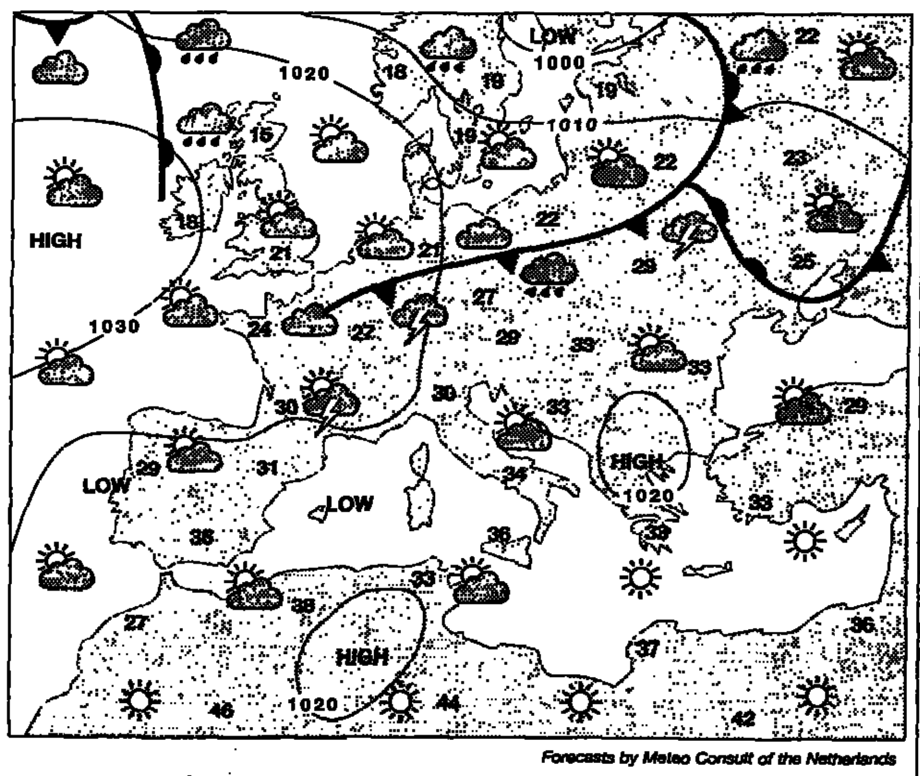
FT WORLD WEATHER

Europe today

Winds from the north-west have brought a mass of cool air into north-western Europe. Today, this cool air will progress into northern France and central Germany. In the warm air in Germany and the Alpine countries, local thunder storms will develop. Low pressure in Scandinavia will move slowly to the north-east producing unsettled conditions in the north. In southern Scandanvia a local shower is expected but sunny periods will prevail. In southern Europe, sunshine and heat will persist, however, some clouds will stay near the east coast of Spain. Most of southern Europe will have afternoon temperatures between 30C and 35C with locally hotter conditions in the Spanish lowlands.

Five-day forecast

A strong ridge of high pressure over France will bring abundant sunshine to western and south-western Europe. Hot conditions will persist in southern sections. On Tuesday, thunder storms will develop in northern Italy and the Balkan states. In the Low Countries, the UK and northern Germany it will remain rather cool. Local showers will fall in northern Germany. In Scandinavia, cool and unsettled conditions will occur until Thursday when conditions will improve.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	thund	27
Algiers	fair	38
Amsterdam	fair	18
Athens	sun	33
Bangkok	cloudy	34
Barcelona	fair	30
Beijing	fair	33
Belfast	fair	18
Belgrade	sun	34
Berlin	shower	21
Bermuda	cloudy	29
Birmingham	sun	19
Bogota	shower	18
Bombay	drzzl	31
Bordeaux	fair	29
Brussels	cloudy	21
Budapest	sun	31
Buenos Aires	cloudy	13
Cairo	sun	37
Cape Town	fair	21
Caracas	sun	31
Chicago	thund	33
Cologne	cloudy	22
Copenhagen	fair	19
D' Salaam	fair	29
Dakar	fair	30
Dallas	fair	33
Darwin	fair	32
Delhi	cloudy	37
Dubai	sun	40
Dublin	fair	19
Dubrovnik	sun	33
Edinburgh	fair	18
Faro	sun	28
Frankfurt	cloudy	26
Geneva	thund	29
Glasgow	cloudy	17
Hamburg	fair	19
Helsinki	rain	20
Hong Kong	cloudy	32
Honolulu	thund	31
Isle of Man	fair	17
Istanbul	sun	30
Jersey	fair	17
Karachi	fair	35
Kuwait	sun	41
La Paz	drzzl	16
Las Palmas	fair	26
Lisbon	sun	32
London	fair	21
Los Angeles	sun	27
Luxembourg	fair	24
Lyon	fair	31
Madeira	cloudy	25
Madrid	fair	35
Majorca	cloudy	36
Malta	fair	35
Manchester	fair	18
Manila	cloudy	33
Melbourne	drzzl	15
Mexico City	fair	24
Miami	fair	33
Milan	sun	33
Montreal	thund	30
Moscow	fair	22
Munich	thund	27
Nairobi	shower	22
Naples	fair	35
Nassau	sun	32
New York	fair	32
Nice	sun	28
Nicosia	sun	35
Oslo	fair	22
Paris	fair	25
Perth	drzzl	18
Prague	thund	23
R' de Janeiro	cloudy	24
Rangoon	drzzl	31
Reikjavik	shower	11
Riyadh	sun	40
Rome	sun	33
S' Francisco	sun	29
Seoul	cloudy	28
Singapore	shower	31
Stockholm	shower	19
Strasbourg	sun	28
Sydney	shower	18
Tel Aviv	sun	34
Tokyo	fair	27
Toronto	cloudy	29
Tunis	sun	38
Vancouver	fair	20
Venice	sun	29
Vienna	fair	29
Warsaw	rain	25
Washington	thund	33
Wellington	cloudy	11
Winnipeg	shower	22
Zurich	thund	27

FINANCIAL TIMES
COMPANIES & MARKETS

Monday July 5 1993

INSIDE

Land Rover sets off on sales drive

Land Rover North America has outlined a strategy intended to quadruple sales of its UK-built four-wheel-drive vehicles in the US. Plans to lift annual sales to 16,000 depend heavily on the success of the Land Rover Discovery model, which is to be launched in North America early next year. Page 14

Ofwat dampens share prices

After reporting profits and dividend increases in line with expectations, and well ahead of other industries, the privatised UK water companies may feel aggrieved their share prices failed to respond. Unfortunately for shareholders, the predictability of the water utilities has been overshadowed by a process over which the companies have less control – the 1994 periodic review by regulator Ofwat. Page 14

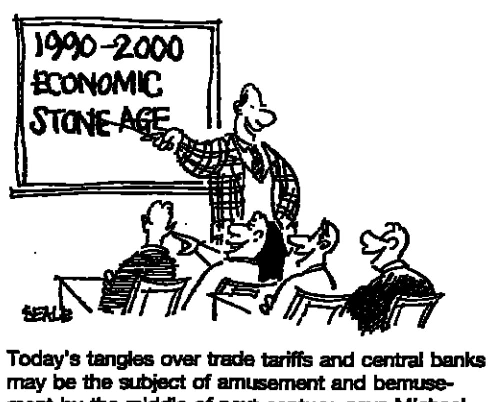
Profits steady at RWE

RWE, the German energy-based conglomerate, expects to pay an unchanged DM12 dividend this year after holding profits at around the same level – DM877m ($517m) – as in 1991/92. The group, which forecast an unchanged result last autumn, added that it also expected "stable developments" in turnover for the year to the end of June 1994. Page 15

Japanese banks branch out

Three leading Japanese banks, the Industrial Bank of Japan, the Long-Term Credit Bank of Japan and Norinchukin, the agriculture bank, have set up securities subsidiaries, allowed as part of ongoing financial deregulation. The ministry has also indicated that, after two or three years, banks may be allowed to deal in stocks. Page 15

Gatt and all that



Today's tangles over trade tariffs and central banks may be the subject of amusement and bemusement by the middle of next century, says Michael Prowse. Back Page

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VW squeezes out vice-chairman in reorganisation

By Christopher Parkes in Frankfurt

MR DANIEL Goeudevert has been squeezed out of his post as vice-chairman of the Volkswagen group as a result of a "structural reorganisation", VW said at the weekend.

He will leave at the end of July by "mutual agreement". His main duties, responsibility for the VW brand – accounting for two-thirds of group sales – will be taken on by Mr Ferdinand Piëch, chairman.

Only four of the 10 management directors who were on the board at the time of Mr Piëch's appointment are still in their former positions, but Mr Goeudevert will continue as a consultant.

Once favourite to become group chairman, he lost to Mr Piëch in last autumn's selection, when the scale of the group's crisis was becoming clear.

Since then he has increasingly appeared the odd man out, especially following the arrival in March of Mr José Ignacio Lopez de Arriortúa as group production and procurement director.

This further eroded his operational role, leaving him basically in charge of marketing the VW marque, while Mr Lopez was adopted as the chairman's closest confidant.

Mr Goeudevert's intellectual approach set him further apart from the engineering duo committed to rescuing Germany's biggest volume car manufacturer.

He was also tainted by Mr Piëch's accusation that the former group board had failed to do its "homework" during the eight prosperous years, before VW was overtaken by recession in the second half of 1992.

After a DM1.25bn ($737m) loss in the first quarter of this year, the group is heading rapidly back into the black, according to Mr Piëch.

While markets languish in recession, most of the progress in cutting losses is being made through large-scale labour cuts and pressure on components suppliers for rapid cuts in parts prices.

Mr Lopez, who was brought in from General Motors to cut VW's procurement and manufacturing costs, was accused at the weekend of driving Giesserei Mittelmann, a metalworking company, into bankruptcy.

"We are Lopez's first victim," a lawyer acting for the company said. A Mittelmann official said that having already agreed to reduce prices by 7 per cent, he received last month a demand for further cuts from the start of 1994. A VW manager reportedly told him that unless he agreed to reductions of 28 per cent on products accounting for a third of Mittelmann's sales, the contract would go to Spain.

Peter Montagnon writes on legal and illegal company communications to analysts

Private briefings come under the public eye

Mr Tony Butterworth, chief executive of London International Group, barely smiles when asked about the reprimand his company received from the stock exchange in April. The company, best known for its 35 per cent share of the world branded condom market, agreed with the exchange that neither would comment further on the revelations that LIG had selectively briefed 13 analysts and four institutions about its falling profits. According to Mr Butterworth, there is nothing more to be said.

The City investment community, however, thinks otherwise. It has begun an anxious debate about how companies should communicate with the outside world. In the background is a sense that private briefings of analysts and investors have been getting out of hand. Companies naturally want to prepare the ground for news about a change in their fortunes. The LIG affair shows this becomes too much of a good thing when it leads to some investors receiving favoured treatment.

The situation is made more difficult by institutional pressure on companies to be more forthcoming. LIG maintains it was singled out for something that others also do. One risk is that those with something to hide now have an excuse to clam up. The price of continued openness may be a proliferation of official statements, deluging investors with trivial information.

A further complication is the insider trading legislation currently before parliament. The draconian approach of the original draft has been softened, but companies and brokers remain worried about whether they can safely continue the informal briefings on which they have relied for years.

The conviction earlier this year of a Scottish analyst, Mr Thorold Mackie, for insider dealing strikes fear into many stockbrokers. Some two weeks before Shanks & McEwan, the waste management company, issued a profit warning last September, Mr Mackie met its chairman. While the market as a whole was still in the dark, he advised his clients to sell the shares.

The case shows how blurred, even under the existing rules, the distinction is between legality and illegality in the way the information flows. Analysts rightly say they need regular contact with companies if they are to make sensible judgments.

The obvious solution is to ensure that price-sensitive information is communicated to the market through a formal announcement. But it is not easy to know in advance what material is price sensitive or how the market will react to the simple news that a briefing has taken place.

Within two days of a briefing last month for eight analysts on the organisation of its UK division, Standard Chartered's share price rose 6 per cent. The bank says it gave no financial information at the meeting. Some of the upward pressure on its shares may have come from brokers not at the meeting, who simply thought that positive news must have been imparted.

The problem is exacerbated if, as in this case, brokers use innocuous briefings as a peg to publicise adjustments to their forecasts that were in train anyway.

Lucas Industries is trying a different approach. On the morning after a dinner for analysts at this year's Paris air show, the company issued a detailed statement of what had been said, though not before its share price had fallen sharply. Subsequently it announced in advance that it was taking analysts to visit one of its plants and released a statement while the visit was taking place.

Lucas says it is especially alert to the stricter climate because of the bid rumours swirling round it this year. But some say its approach smacks of overkill. "You cannot put out a statement every time an analyst rings up," says one investor relations professional.

So what should companies do to ensure that they maintain an adequate, digestible flow of information to investors, while staying within the rules? Most expect the answer will inevitably involve more formal statements. The more information is in the public domain, the more companies will feel comfortable explaining detail and context to analysts and institutions.

The stock exchange has been reviewing its guidelines, but so far has found no reason to change them. Hoare Govett, the stockbroker, has, however, come up with some suggestions. It believes companies should make more use of regular events such as annual meetings to talk about current trading and strategy. There would then be less risk of the market's expectation departing from reality. When it does, companies should promptly issue a statement.

Regular corporate announcements tend, though, to be bunched into the earlier part of the financial year. There is a long gap between the interim figures and full-year results. One possibility would be a routine trading statement toward the end of the year, when many companies are anyway briefing analysts.

Last year the Rank Organisation began briefing groups of analysts twice a year before going into closed season on its interim and final results. It used to call them in individually, but found this gave an advantage to the broker lucky enough to be invited first. To be extra sure of fair treatment, it puts out the main details of its message in a formal statement.

Some might see this as a step towards quarterly reporting, already practised by many companies with a listing in the US. BAT Industries has even accelerated the reporting of its quarterly results, which come out soon after the period has ended. Its closed season begins before the quarter is over, which helps avoid embarrassing requests from analysts for help with forecasts. Also, it creates a regular opportunity for statements on matters of interest such as the US cigarette price war.

This is not, however, to everyone's taste. According to one large institutional investor the introduction of a quarterly reporting requirement would be like taking a sledgehammer to crack a nut. It would be expensive for small companies and encourage a short-term approach. There is no evidence that it makes share prices less volatile.

ICI reports quarterly, but its new offshoot Zeneca does not intend to follow suit. "The issue is reporting of exceptional developments," says Mr John Mayo, finance director, "and the way people are trying to deal with it is regular reporting. What we need is for people to loosen up a bit about exceptional reporting."

That begs the question of how such statements should be published. The formal requirement is to go through the stock exchange, but its procedures are slow and its screen is scanned only by professional investors.

Perhaps its monopoly should be removed to promote the widest possible circulation of announcements. Mr Terry Venables came under fire for warning about Tottenham Hotspur's profits during BBC Grandstand's cup final coverage. It is hard to be more public than that.

GEC and BAe deny rumour of merger

By David White, Defence Correspondent

BRITAIN'S General Electric Company and British Aerospace yesterday dismissed as speculation a weekend press report that they were holding preliminary talks that could lead to a merger of their defence interests.

But neither company ruled out the long-term possibility of closer links. They are the UK's largest defence suppliers with combined military sales of about £7bn.($10.5bn)

The prospect of a merger with GEC-Marconi is understood not to have been discussed by the board of BAe Defence, the company set up early last year combining the BAe group's military aircraft, missiles, munitions and systems and services divisions.

Rumours of GEC plans to launch a complete or partial takeover of BAe have surfaced several times in the past two years. Active contacts between the two companies took place in 1991, with Sir Peter Levene, previously the Ministry of Defence's procurement chief, playing an important role alongside Lord Weinstock, GEC managing director.

GEC focused on BAe's Dynamics division, which makes guided weapons, and on its space activities. But discussions on the sale of the space division to Matra Marconi Space, a joint venture between GEC-Marconi and Matra of France, fell through.

The latest report comes while both companies are negotiating other defence deals. GEC is negotiating the purchase of Thorn EMI's defence interests. BAe is discussing details of a planned missile merger with Matra, a venture which could subsequently bring in other European producers.

Questions over Latin American bond wagon

Economics Notebook
By Stephen Fidler

The welcome mat is still out for Latin American borrowers in the international bond market. The funds raised so far this year already exceed last year's total, but will the welcome last?

According to figures from Peter West of West Merchant Bank in London, 59 Latin borrowers raised $6.74bn in the second quarter, outstripping the previous record first quarter tally of $3.49bn.

So far this year, new Latin bond issues have totalled $10.2bn, more than 1992's entire output of $9.6bn. In an active half-year in the international bond market, they have accounted for 5 per cent of the funds raised.

The first-half total was swollen by some big Mexican private sector issues, including the largest issue by a Latin American company – a $1bn issue for Cemex – and a $750m bond for Bancomer.

More big issues are on the cards: the US subsidiary of the Venezuelan state oil company Petroleos de Venezuela plans a $1bn issue in the US public bond market. Argentina is putting together a $1bn medium-term note programme of which the first tranche is expected to be a $250m bond.

More Chilean issues could follow the $150m bond for Celulosa Arauco y Constitucion, which achieved the lowest yield spread yet over US Treasuries of any Latin corporate bond (210 basis points). These include a bond for the republic at a very aggressive spread, indicating its investment grade status.

However, some market watchers see cause for worry. At a recent City Forum conference in London, Mr Gerrit-Jan Tammes, vice-chairman of ING Bank of the Netherlands, cited comparisons between today and the 1870s when Latin American bonds were being bought by "country clergymen, widows, poor professional men and tradesmen". Default ensued with "parallels simply too striking to ignore" to the present day.

"Now, as then," he said, "we have seen a relative deterioration in the quality of borrowers accessing markets; less and less transparency in the intended uses of funds borrowed in the markets; and more poorly informed players in the market on both the sales and the investor sides."

In the 1920s, too, the international capital markets were accused of, according to authors Barry Eichengreen and Richard Portes, "all manner of excesses". Among other things, "the issue houses pushed questionable obligations on hesitant borrowers and questionable bonds on otherwise cautious investors" and "private investors discriminated inadequately between good and bad credit risks".

In fact, every half century or so has seen another Latin American debt crisis: the 1820s, 1870s, 1930s and 1980s. Indeed, the 1980s crisis may have taken less time to resolve, in the sense that borrowing countries have regained access relatively rapidly to foreign capital.

One reason for this rapid return to grace is that Latin governments had the good sense in the 1980s to burn foreign banks instead of foreign bondholders. With only minor exceptions, they kept bondholders happy. The small amounts of outstanding bonds meant that it was relatively inexpensive to do so. By contrast, the amount of debt in bond form now outstanding is significantly larger.

In the first place, a lot of bank debt has been converted into bonds under the Brady debt reduction initiative. Eight countries – all Latin American except the Philippines and Nigeria – have issued Brady bonds with a face value of $94bn. According to JP Morgan Securities, about $81bn of this is in readily tradeable form.

Furthermore, since 1989 – when Bancomext of Mexico launched a $100m issue to reopen international capital markets for Latin borrowers – some 250 issuers have launched more than $25bn of Eurobonds.

This suggests that the "specialness" that protected bond issues during the 1980s is gradually being lost. A huge variation in quality has also been evident, suggesting that the market's default-free reputation will not last for ever.

For example, more Brazilian borrowers – their economy hardly the jewel in the Latin American crown – have issued bonds than any other country group. In the second quarter, 24 Brazilian issuers raised $1.7bn, second only to Mexico's $3.3bn.

Brazilian banks have been particularly frequent visitors – launching standard $50m bonds with 2½-year maturities. Much of the money raised goes straight into the Brazilian money markets, where inflation-adjusted interest rates are high.

Many of the buyers of this Brazilian paper – along with most of the Eurobond issues since the market reopened – have been "retail" investors. These individuals, many of them Latin American, have been looking for better returns than have been available in more traditional markets, particularly the US.

They tend to buy on the basis of yield, typically seeking double-digit interest rates. As the perceived credit quality of the region has improved, thanks to better economic management, they have had to seek riskier credits to preserve the required yields.

It is far from clear that these investors will retain their interest in the market once US interest rates turn upward. In an International Monetary Fund staff paper published this year, Guillermo Calvo and others conclude that "swings in private capital outflows from the US play a key role as external impulses that affect the size of capital inflows into Latin America".

One possible conclusion is that once the US market provides higher returns, some of these investors will forget Latin America.

However, there is a countertrend for which the Cemex issue provides evidence. It was not retail investors who swallowed $1bn of Cemex paper, but institutions mainly from the US. These investors are more conscious of credit quality and not simply chasing high absolute yields.

Their entry into the market suggests that higher-quality borrowers from Latin America may well have longer-term access to regular bond market finance – provided, that is, the region continues the economic improvement evident over the last few years.

Sugar plans to oust Crystal at Spurs egm

By John Mason in London

MR ALAN Sugar, the chairman of Tottenham Hotspur, is planning to call an extraordinary general meeting of the company in an attempt to oust Mr Jonathan Crystal from the board.

Mr Crystal is the only remaining director who supports Mr Terry Venables, the former chief executive sacked by Mr Sugar, following their bitter court battle over control of the football club.

Mr Sugar is expected to announce within the next two or three days that an egm will be held on July 30. This will be just inside the minimum 21 days' notice required for such a meeting.

Mr Sugar has stated his intention to force Mr Venables out of the company, but has undertaken not to oust the former chief executive from the board until High Court hearings over their dispute are complete some time this autumn.

The Sugar camp yesterday said it would abide by this undertaking.

The move against Mr Crystal has been long expected. During the battle between Mr Sugar and Mr Venables, Mr Crystal has been a solid champion of Mr Venables' cause.

Although individual shareholders will be invited to the egm, the meeting is likely to prove a formality. Mr Sugar owns 47 per cent of the company and his long-time ally Mr Tony Berry a further 5 per cent.

Neither Mr Crystal nor Mr Venables was available for comment.

Rover plans strong North American drive

By John Griffiths

LAND ROVER North America has outlined to its 80-strong dealer network a strategy to quadruple sales of its UK-built four-wheel-drive vehicles in the US.

Plans to lift annual sales to 16,000, from just over 4,000 last year, depend heavily on the success of the Land Rover Discovery model, which is to be launched in North America early next year. Currently, dealers are selling only the luxury Range Rover and high specification versions of the utility Land Rover Defender.

The company, part of the British Aerospace-owned Rover Group, is calling for a substantial structural change in the dealer network to cope with the expansion.

Mr David Schworm, vice-president, has told dealers by letter that Land Rover wants as many as possible to drop their practice of selling its products alongside other luxury vehicle franchises – known as "dualling" – and set up large outlets selling exclusively Land Rover's vehicles.

These "Land Rover Centres", of which the company would like about 30, would have sales territories covering many square miles and would operate "satellite" showrooms under the same ownership. The concept, aimed at preventing Land Rover dealers from having to compete against each other, has been pioneered – with considerable success – in North America by General Motors' Saturn subsidiary.

However, Saturn is a volume franchise. Dealers in other more up-market makes have traditionally resisted their manufacturers' pressure for exclusive outlets, arguing that they do not offer adequate returns. Such resistance is understood to lie at least partly behind Mazda of Japan's decision last year not to proceed with setting up a separate luxury car sales channel – Amati – at a time of economic recession.

The Discovery, which is expected to sell for some $30,000 (£20,000) in the US, compared with $40,000 upwards for the Range Rover, is expected rapidly to take the lion's share of Land Rover's intended 16,000 total annual sales in North America.

Earlier this month it was announced that Honda, which has a 20 per cent shareholding in Rover, was to sell the Discovery under its own badge in Japan, where it will be known as the Honda Crossroad.

The omnipresence of the water regulator

Ofwat's annual price review will restrict the water companies' expansion plans, Angus Foster reports

AFTER reporting profits and dividend increases in line with expectations, and well ahead of other industries, the privatised UK water companies may feel aggrieved that their share prices failed to respond.

Since March the sector has fallen about 15 per cent, sometimes amid unusual levels of volatility. The water reporting season, which with the exception of Welsh Water ended last month, also failed to inspire its traditional rally.

Unfortunately for shareholders, the predictability of the water utilities has been overshadowed by a process over which the companies have less control – the 1994 periodic review by regulator, Ofwat.

Ofwat took care not to comment on companies' performance before the results, but the regulator's presence could be felt at all the presentations.

Companies are starting work on strategic business plans, which will be submitted to Ofwat next March and will form the basis of negotiation for price rises until the end of the decade.

Companies were only quizzed on the initial assumptions which lay behind their plans. Many areas of discussion, such as future environmental standards on urban waste water and pesticides, have yet to be decided. Ofwat is also yet to announce its views on complex matters such as levels of return that companies, and therefore shareholders, can expect from investment. This is also known as the "cost of capital" debate.

While attention will focus on subjects like the cost of capital, companies and their regulator are likely to agree that a simpler benchmark should be interest cover covenants.

Since the companies were privatised debt free, their interest cover has remained high compared to the market. For example, North West Water still has interest cover of over seven times, even though borrowings have mounted as the company's investment programme gathered pace.

Companies say their banking covenants require them to keep interest cover at two times or greater. They further argue the need for some degree of comfort as their capital expenditure programmes mount up. For some companies, this means interest cover should not fall below four times.

Ofwat is unlikely to risk pushing companies too close to their borrowing limits because a breached banking facility would be embarrasing for the regulator as well as the company.

But there are a number of areas for potential disagreement. Companies are not forecasting rights issues, which Ofwat may assume. This would allow price rises to be kept lower and would at least delay the moment companies reached their minimum interest cover "troughs".

Ian Byatt: keeping a tight rein on future price increases

Also, it is difficult to see why companies with very different spending plans say they need the same "K", the amount companies can increase prices above the rate of inflation.

For example, Anglian Water has one of the highest spending plans to the end of the decade, partly because of spending on beaches. Severn Trent, which has a much lower investment profile, and no beaches, forecast a K of 6 per cent in its market plan, the same as Anglian.

According to one analyst, the K requirements now being discussed are partly designed as "customer conditioning", to stress to the public that raising water standards is very expensive. With some companies, the requests should also be seen as opening gambits with the regulator.

Mr Ian Byatt, director general of Ofwat, has indicated that he would be unhappy with real price rises of more than 2 per cent in the second half of the decade, suggesting the companies are heading for some hard negotiating.

Aside from the regulatory questions, results for the companies' unregulated businesses continued to disappoint. Companies have often argued that unregulated earnings have suffered from recession and will only become significant after the periodic review when regulation is likely to be tougher.

As expected, Severn Trent's waste management company, Biffa, remained loss making after interest costs. More surprisingly, Northumbrian Water's unregulated businesses also lost money after interest costs.

Northumbrian had been seen as small enough to generate a reasonable proportion of profits – perhaps more than a quarter – outside its core, regulated business. Last year's results, and a setback at Amtec Europe, a pipeline maintenance company, suggested Northumbrian is several years away from its goal.

Thames Water's unregulated businesses did manage to record pre-tax profits, but the total was disappointing. Excluding inter-company transactions, the unregulated businesses made profits of £2.2m on sales of £234.4m. Thames blamed weak overseas markets, although one environmental services subsidiary lost £2m due to poor management.

An expected run of enhanced scrip dividend alternatives failed to materialise. North West, the first to announce profits, did offer an enhanced scheme and said the money saved would be used towards its unregulated business.

But the issue was poorly received by institutional shareholders, who complained the issue was effectively a mini-rights issue. Several other water companies later admitted they had looked at offering enhanced scrips but changed their minds after learning of the reaction to North West.

Another area of controversy was infrastructure renewals, the annual charge made to cover spending on maintainance of underground assets like pipework.

Northumbrian indicated in advance that its renewals charge was being lowered to reflect over-provisioning in prior years. Severn Trent, however, announced a change of policy with its results, helping to boost profits by £15.9m.

The company was criticised for its move, which was seen by analysts as a form of profits massage. But it also raised the question of the accounting treatment of renewals, which Ofwat is reviewing ahead of the periodic review.

The confusion was highlighted by figures from Mr Robert Miller-Bakewell at NatWest Securities. These show Yorkshire Water's infrastructure renewals charge last year represented nearly 15 per cent of its utility revenues, while Southern Water's charge was only 5 per cent. Although some of the difference can be explained by relative ages of the assets, it also shows that valuing underground pipework remains an inexact science.

Sphere Drake seeks $150m via New York offering

By Richard Lapper

SPHERE DRAKE, the insurance and reinsurance company, is to raise more than $150m (£100m) through an initial public offering in New York, channelling most of the cash into its London market and Bermudian insurance subsidiaries.

The move reflects increasing confidence among investors in the commercial insurance and reinsurance markets where rates have risen sharply in recent months. Sphere Drake, whose majority shareholders include Electra Investment Trust, Dai Tokyo Fire and Marine, and Center Capital Investors, is a leader in the London reinsurance market. Net assets of the group's London-based insurance company currently amount to £75m. Net premium income amounted to £200m in 1992.

The IPO offer will be underwritten by a group of underwriters for whom Smith Barney, Harris Upham, Lazard Freres and Salomon Brothers are acting as representatives. The IPO is scheduled for the middle of September, although no decision on timing has been made.

Court Cavendish twice subscribed

By Peter Pearse

THE OFFER of 7.09m ordinary shares in Court Cavendish Group – part of the placing and open offer of some 20.2m shares which closed on Friday – was subscribed 2.2 times.

The 5p shares were priced at 225p, valuing the nursing homes group at £51m.

Some 13.2m shares were placed firm, with the 7.09m balance being conditionally placed subject to clawback.

Existing shareholders sold 2.56m shares, and 17.7m new shares have been issued.

The details of the share allocation will be announced today, though it is thought that small applications will be allotted in full. Large applications, howver, are likely to be allotted 10 per cent of the number applied for. Dealings are expected to begin on July 13.

Celsis share offer meets strong demand

By Richard Gourlay

The public offer of shares in Celsis International, the maker of diagnostic equipment designed to replace and improve on the laboratory agar plate for detection of microbes, was nearly four times subscribed.

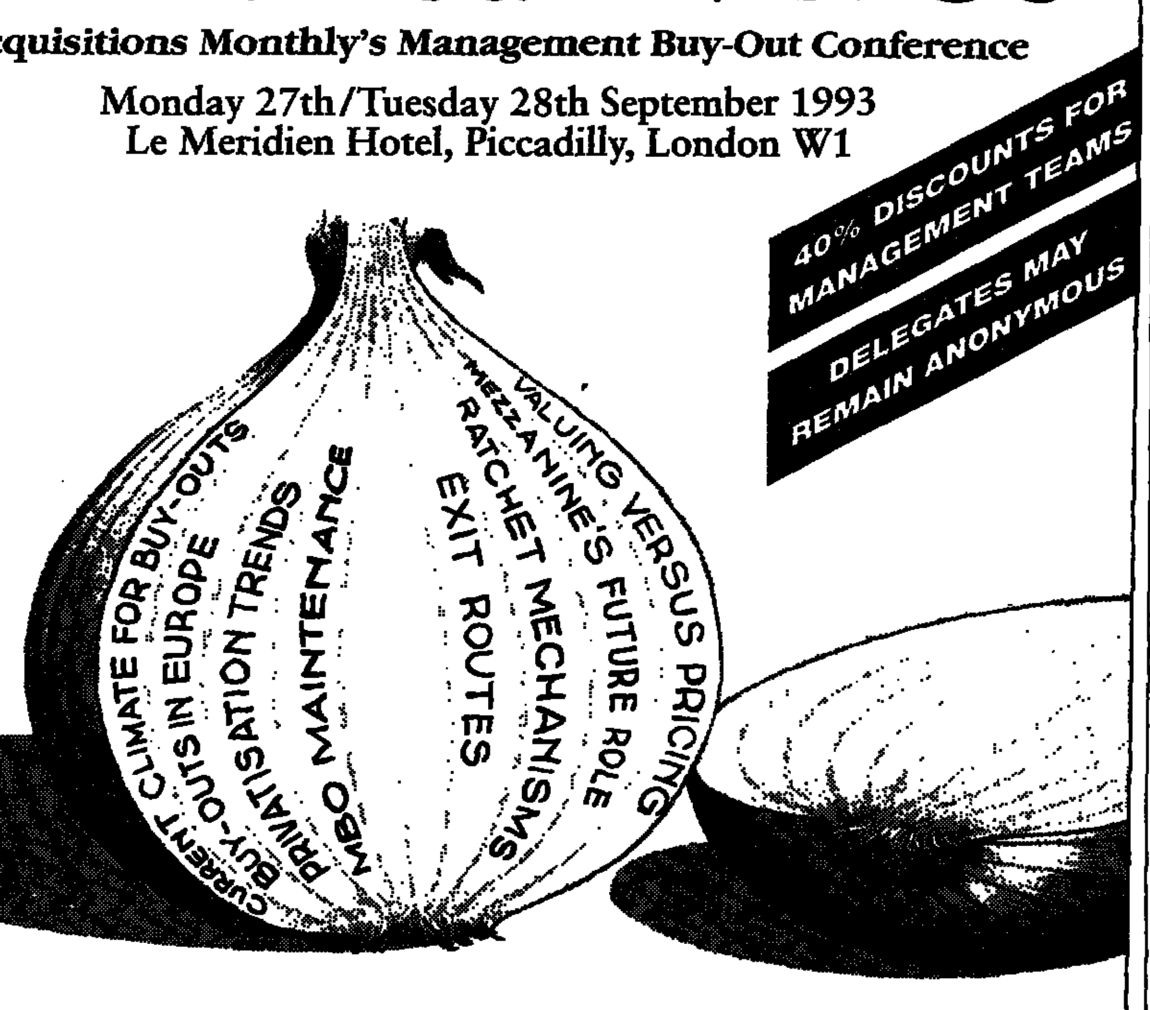
Panmure Gordon said there had been applications totalling 27m shares for the 7m shares on offer at 100p.

Panmure Gordon will announce the basis of scaling down today.

On June 29, Panmure Gordon said its placing of 15m shares with institutions was comfortably oversubscribed.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Hanson (UK/US)	Quantum Chemical Corp (US)	Industrial chemicals	£2.13bn	Back on takeover trail
BAT(UK)/American Brands (US)	Brands Swap	Tobacco	£135m	Pan-European marketing move
Pacific Telesis (US)	NordicTel Holding (Sweden)	Telecoms	£102m	Stake boosts European presence
Pacific Dunlop (Australia)	Unit of East Asiatic (Denmark)	Food	£100m	Buying Plumrose operations
Artemis (France)	Chateau Latour (France)	Wine production	£80m	UK's Allied Lyons disposes
Hahtamaki (Finland)	Unit of Procordia (Sweden)	Confectionery	£77m	Part of broader collaboration
Hays (UK)	Mordhurst (Germany)	Distribution	£32m	Furthering pan-European ambitions
Golden Vale (Ireland)	Vonk Food (Netherlands)	Food	£27m	Price includes debt assumed
Scholl (UK)	Septivon (France)	Healthcare	£14.5m	Elf-Sanofi brand disposal
Minorco (Luxembourg)	Pikes Peak Mining (US)	Metals Mining	£14m	RTZ Nerco disposal



LEGAL NOTICES

IN THE MATTER OF THE INSOLVENCY ACT 1986
IN THE MATTER OF PONDHURST LIMITED (IN LIQUIDATION)
COMPANY NUMBER 1723238 - ENGLAND

I hereby give notice that I was appointed Liquidator of the above-named company formerly called Capital Market and Treasury Services Limited and Mayflower Capital Market and Treasury Services Limited by the Creditors on the 23rd day of June 1993. I further give notice that anyone purporting to be a creditor of the above-named company are required on or before the 26th July 1993 to prove their debt to David Lowe of Cooper Lancaster Brewers, 14 Wood Street, Bolton, BL1 1DZ at 14 Wood Street, Bolton. If you do not prove your debt by 26th July 1993 you will be excluded from the final dividend specified below.

It is my intention to declare a final dividend within the period of four months from the 26 July 1993.

Dated this 30th day of June 1993
DAVID LOWE - LIQUIDATOR

Securities units are set up by three Japanese banks

By Robert Thomson in Tokyo

THREE LEADING Japanese banks, the Industrial Bank of Japan, the Long-Term Credit Bank of Japan and Norinchukin, the agriculture bank, have set up securities subsidiaries, allowed as part of ongoing financial deregulation.

The ministry of finance has given banks a greater role in bond markets, while existing securities houses will be allowed to establish trust banking subsidiaries and be given more freedom in foreign exchange dealings.

IBJ Securities is capitalised at Y25bn ($232m) and will have an initial staff of 138, while LTCB Securities is capitalised at Y30bn and will have a staff of 85. Norinchukin Securities has a capital of Y15bn and 42 employees.

The banks had prepared several months ago for the establishment of the securities subsidiaries, but were awaiting approval from the finance ministry, which still has great influence over the entry of companies into new markets.

The ministry is expected to review deregulation early next year and consider giving permission to a broader range of banks to open subsidiaries. The ministry has also indicated that, after two or three years, banks may be allowed to deal in stocks, although that is opposed by brokers.

The new securities subsidiaries are expected to begin trading later this month, and are likely to concentrate on winning new business in the underwriting of straight bonds, increasingly popular among Japanese companies seeking to diversify their sources of funds.

GE to top forecasts in second quarter

By Martin Dickson in New York

GENERAL ELECTRIC, the US industrial and services company, has announced that second-quarter earnings are likely to be higher than analysts' expectations, and has unveiled a non-cash, after-tax $862m first-quarter charge for a change in accounting methods.

It expects to announce record second-quarter earnings per share later this month – higher than the $1.53 average of analysts' expectations.

The company will restate its first-quarter figures to include a charge of $862m because of its adoption of Financial Accounting Standards Statement 112, which must be adopted by all US companies by 1994.

GE is one of the first leading companies to adopt the standard, which requires companies to account for the cost of certain post-employment benefits, such as redundancy payments, over the working lives of employees rather than when the payments are made. The standard does not cover post retirement pension, medical and life insurance benefits.

RWE maintains earnings and dividend payout

By Christopher Parkes in Frankfurt

RWE, the German energy-based conglomerate, expects to pay an unchanged DM12 per share dividend this year after holding annual profits at DM877m ($516m), around the same level as in 1991-92.

The group, which forecast an unchanged result last autumn, said it also expected "stable developments" in turnover for the current year to June 1994.

Sales in the year under review rose by just 1.2 per cent to DM52.4bn, including DM19bn from energy and DM21bn from oil and chemicals, the company said at the weekend.

Improved profits from energy, construction, mining and raw materials combined to offset declines, especially in the printing machinery and oil and chemicals divisions.

RWE, based in Essen, North Rhine-Westphalia, enjoys a strong position as a monopoly power supplier in some of the most heavily industrialised regions of Germany.

While pursuing an aggressive global diversification programme, the company is still basically an energy group. It is strongly represented in the eastern German mining and energy sectors, and recently announced a plan to take a 4 to 5 per cent stake in Endesa, Spain's state-controlled electricity concern.

First-half turnround at Austria's Girocredit

By Eric Frey in Vienna

GIROCREDIT, Austria's third-largest bank, reported a 68 per cent rise in bank operating income to Sch895m ($76m) for the first half of 1993, marking a turnround from the sharp profit decline of 1992.

Mr Hans Haumer, chairman, said he expected the bank to achieve operating earnings of about Sch1.7bn for the full year, up 30 per cent.

He said the improvement was due to a larger interest margin following the decline in European interest rates and strong gains in fee and trading income. After heavy losses on foreign lending in the previous years, the bank has boosted domestic loan activities while reducing its international exposure, Mr Haumer said.

Balance sheet assets climbed a moderate 2 per cent to Sch329bn in the first half and are expected to increase by 3 to 4 per cent for the full year.

Lufthansa remains in the red

LUFTHANSA, the German airline, had an operating loss of DM482m ($284m) in the first five months of 1993 despite an 8 per cent cut in staff costs compared with the same 1992 period, Reuter reports from Frankfurt.

A Lufthansa spokesman gave no comparative figure, but said the loss in the January-May period of 1992 had been considerably higher. He said the carrier had saved about DM231m on staff costs in the past 12 months. But average earnings per passenger in the period had fallen by 11 per cent to DM336.

Lufthansa continues to believe that it will be able to halve its 1992 operating loss in 1993. It expects 1994 to be a profitable year if the global economy recovers and a spiral of declining prices ends.

The airline had a 1992 group loss of DM391m against a 1991 loss of DM426m. In the 1993 first quarter it reported a parent company loss of DM245m compared with a DM386m loss in the same period of 1992.

In the first five months of 1993 group costs fell by 5 per cent, or DM336m, from the same 1992 period, while group income fell by only 1 per cent or DM71m.

Taiwanese expand in Hong Kong

By Dennis Engbarth in Taipei

HUA NAN Commercial Bank of Taiwan is to upgrade its operations in Hong Kong to provide financial services to Taiwanese companies operating in China from Hong Kong.

Mr H. T. Chien, deputy general manager at the bank's Taipei headquarters, said that Hua Nan's application to strengthen its presence was approved by Hong Kong's Executive Council last week.

Hua Nan, which is one of Taiwan's leading state-run banks, opened a representative office in Hong Kong in 1988 and submitted an application to upgrade to a branch in April 1993, after receiving permission from Taiwan's ministry of finance.

Three state-run banks have applied to upgrade representative offices into branches, including the Bank of Taiwan, the Chang Hwa Commercial Bank Ltd and the First Commercial Bank.

Hua Nan said the new branch would primarily provide trade finance to Taiwan companies with offices in Hong Kong.

More than 10,000 Taiwan companies are estimated to have investments in China. Most use overseas Chinese-run banks or foreign banks in Hong Kong for financial services in the triangular trade between Taiwan, Hong Kong and China.

The bank will also assist such companies secure working capital for freight fees, providing letters of credit, foreign exchange transactions and deposit services.

The bank's ability to provide such services will be boosted by new rules, effective from May, allowing overseas branches of Taiwan banks to have business ties with overseas branches of mainland-based banks.

"We should be able to attract many of the Taiwan firms as they are our customers here," the bank said. "We are optimistic that we can operate the Hong Kong branch profitably from the very beginning."

The branch will open in the Central Plaza Building in Wanchai by end-September, manned by seven staff members from Taiwan and some locally-hired employees. Its manager will be the current head of the representative office, Mr T. C. Wu.

Crédit Lyonnais takes firmer hold in Milan

By Haig Simonian in Milan

CREDIT LYONNAIS, the big French bank, has strengthened its position in Italy by reinforcing its hold on Banca Lombarda, a small 23-branch Milanese bank.

Crédit Lyonnais, which already owns 30 per cent of the bank, is buying 49 per cent of Geinvest, a holding company which owns 26.2 per cent of the holding company controlling Banca Lombarda.

The latest acquisition may represent a further step in a strategy to develop the Crédit Lyonnais presence in Italy. The French bank is already one of the biggest foreign players in Italian retail banking because of its controlling stake in Credito Bergamasco, a big Bergamo-based regional bank, in which it now owns 58 per cent of the shares.

Although Credito Bergamasco, which is highly profitable, has been expanding rapidly in northern Italy, it remains poorly represented in the Milan area – where Banca Lombarda is strongest.

A spokesman for Crédit Lyonnais, which has not revealed the price of its latest purchase, declined to comment on whether it aimed to gain full control of Banca Lombarda eventually.

Banca Lombarda, which is controlled by a group of long-established Milanese families, had a loan book of L654bn ($424m) last year.

Damon accepts Corning offer

DAMON Corporation, a US medical testing laboratory which received an unsolicited bid from Corning last week, has agreed to the $370m offer, writes Martin Dickson in New York.

Its acceptance followed a statement from National Health Laboratories, which had previously made an agreed $258m bid for Damon, that it would not increase its offer.

NEWS DIGEST

■ BERLINER Bank said that its group operating profit in the first five months of 1993 rose by 46 per cent to DM255m ($150.8m) and parent bank operating profit climbed 38 per cent to DM221m, Reuter reports from Berlin. The year-earlier comparison figures are based on five-twelfths of 1992 results.

Mr Wolfgang Steinriede, managing board chairman, said group operating profit in 1992 was DM420m and parent company operating profit was DM383m. Interest income for the first five months rose to DM409m from DM343.2m and commission income climbed to DM95m from DM83.7m. Administration costs rose to DM293m from DM277.6m.

■ TANDEM Computers' third-quarter results will be below plan as well as below analysts' estimates, and will reveal an operating loss for the period, Reuter reports from Cupertino. The company also said it would announce details of a restructuring designed to reduce costs when it releases quarterly results on July 28.

Tandem attributed its disappointing third-quarter results in part to a slowdown in orders due to customers waiting for a major product announcement from the company in the next few weeks.

"With this new product announcement, Tandem will become the price performance leader in high availability online transaction processing systems and servers," the company said.

■ BANKAMERICA Corp's Bank of America subsidiary is forming an organisation, based on wholesale and retail banking divisions, to serve its Asia markets more effectively, Reuter reports from San Francisco.

The organisation will include an Asian wholesale banking division and an Asian retail banking division, both based in Hong Kong.

Mr James Hulihan, chief executive officer of Bank of America (Asia), will head the retail division, and Mr Kai Nargolwala, senior credit officer with the Asia division, will lead the wholesale division.

■ GREAT NORDIC Holding, which administers its shareholding in the telecommunications and electro-technical manufacturing group GN Great Nordic, reported a decline in net profits from DKr23.8m ($3.64m) to DKr8.9m in the year to June 30, writes Hilary Barnes in Copenhagen.

An unchanged dividend of DKr12 per share (12 per cent) will be paid.

GN Great Nordic's operating profit increased from DKr96m to DKr113m but after extraordinary items, covering restructuring costs and write-downs, profits fell from DKr93m to DKr33m.

The holding company said GN Great Nordic's operating profit would improve in the current year as income from administration of new telecommunications cables came in.

The cables include the optical fibre cable link between Copenhagen and St Petersburg, with a microwave link to Moscow, which came into operation in April and has brought a significant improvement in telecommunications between Russia and western Europe.

UK GILTS

Strong pound revives interest rate hopes

THE BETTING in the gilt *market that* the UK government will cut interest rates in the foreseeable future strength*ened on the back of monetary* easing in Germany and a stronger pound.

Gilt prices recorded another healthy rise over the week, with the gains especially *marked at the short end of the* yield curve.

Even though Mr Kenneth *Clarke, the chancellor of the* exchequer, has ruled out cutting interest rates in the short term, *few people in the gilt* market expect him to keep to his word should the next spate of UK economic data indicate that signs of recovery are weakening.

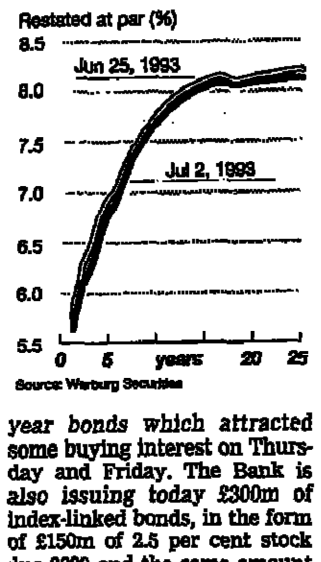
While today's announcement of the latest figures for consumer credit will provide *some signs of underlying* demand in the economy, most of the action on gilts trading will probably be postponed until next week, when the new data include figures for last month's inflation and unemployment.

Over the week, 10-year gilts saw a fall in yields of about 7 basis points, for a yield *reduction of a healthy 45 basis* points in the past month.

On Friday night, the 8 per *cent Treasury bond maturing* in 2003 was quoted at 102⅝, up about half a point on the week, *with its yield registering* 7.6 per cent.

The gilt market shrugged off *the relative lack of success of a* £3.25bn auction of 10-year bonds, the biggest ever, which attracted *generally poor* support from overseas investors. The cover – the ratio of offers *to accepted bids – was only* 1.1. This means that with only slightly less bidding not all the *issue would have been sold.*

However, a rally in the market later prompted the Bank of England to issue £800m of 15-*year bonds* which attracted some buying interest on Thursday and Friday. The Bank is *also issuing today* £300m of index-linked bonds, in the form of £150m of 2.5 per cent stock due 2009 and the same amount of 2.5 per cent bonds maturing in 2024.



Source: Warburg Securities

The Bank is well advanced with its fund-raising. In the first three months of the year it has borrowed roughly £20bn, two-thirds through auctions and the rest through taps and other gilt sales. This leaves it in a reasonably good position to borrow the money it needs to fund the expected £50bn deficit for 1993-94.

Many in the market take the view that investors, both in the UK and abroad, are well poised to buy this level of gilts, assuming that little happens to upset notions that inflation is under control.

Last week's announcement that pay rises in manufacturing in the three months to the end of April averaged just 2.1 per cent, the lowest figure since the Confederation of British Industry started recording these numbers in 1977, further underlined theories that inflation pressures are subdued for the time being.

Sterling's strength has helped the gilt market to show its recent healthy tone. On Friday, the pound's value *as measured* by the Bank's trade-weight index edged up to 81.4 – close to the high for the year of 81.6 registered two months ago – with a generally good showing against both the D-Mark and the dollar. Even though it closed slightly down on Friday night against the D-Mark at 2.5575, this was only ½ pfennig below its highest level for the year against the currency.

While few figures last week gave any concrete indications of the speed of any recovery, most of the anecdotal evidence gave the impression of economic weakness. In particular, a record number of businesses collapsed in England, Wales and Scotland in the second quarter, illustrating specifically the fragile state of many small companies.

Although figures for company failures are generally thought of as giving few insights into future economic trends, it may not require many more pieces of poor economic news before Mr Clarke starts to think seriously about bringing down base rates from 6 per cent for the first cut since January. The cut in German *interest rates last week – the* discount rate came down ½ percentage point to 6.75 per *cent and* the Lombard rate fell ¼ point to 8.25 per cent – may create a better backcloth for such a move.

Peter Marsh

DANISH BONDS

Yield gap with Germany narrows

DANISH government bonds have performed well *this* year, with the effective yield coming down from about 9 per cent in December to 6.83 per cent at the end of last week on the 10-year government benchmark bond.

Investors have benefited not only from a general *fall* in interest rates this year, but also from a narrowing of the yield spread between Danish and German bonds, which at times in the second half of last year was as much as 2 percentage points, but is now down to about 21 basis points.

The yield spread widened when the voters rejected the Maastricht treaty in the referendum last summer and has narrowed now that the electorate, in the May 18 referendum this year, has finally approved the treaty.

The fall in yields and rise in prices, combined with a rising need for government debt *finance, sent turnover in the* first half-year to a record. The current benchmark bond carries a coupon of 8 per cent, but its place will probably be taken by the 7 per cent bond maturing in 2004, which was *launched earlier* this year, as turnover in this series grows.

On Thursday last week, the *first government issue carrying* a 6 per cent coupon was issued – Treasury notes maturing in 1996. A total of DKr11bn of paper was sold within an *hour of opening, although* the pricing, 99.75, giving an effective yield of 6.08 per cent, was considered ambitious.

The market is already preparing for a 10-year issue carrying the 6 per cent coupon. The Guarantee Institute for Futures and Options is hesitating between introducing a futures contract on the 7 per cent bond or waiting a while before launching one on the expected 6 per cent (or even lower) paper instead.

There is, meanwhile, an interesting situation in the *mortgage bond market.* Mortgage bonds carry higher yields than government bonds and *there are big, liquid series, but* the bonds have some characteristics which tend to put off international investors.

The big series are in annuity loans, not bullets, and are callable (ie, redeemable at par before maturity). The major development over the next few months and into next year will *be that householders are able* to convert from bonds carrying coupons of 9 to 12 per cent into new series with a coupon 6 per cent. The first 20 and 30-year issues with 6 per cent coupons were launched last week. The 30-year bonds were priced at 95.00, giving an effective yield of 6.7 per cent.

The mortgage institutes and large institutional investors expect that bonds worth some DKr300bn will be converted.

The interesting point of the exercise for international investors is that the bond-issuing mortgage credit institutes will take the opportunity to *launch some very large series,* and although issued by the different institutes they will have *identical characteristics,* which will allow them to be traded as one large series.

There is an interesting macro-economic aspect to the conversion boom as well. As the governor of the Nationalbank, Mr Erik Hoffmeyer, has said, it will have an unprecedented wealth effect for householders. *Conversion means* that the cost of annual mortgage servicing will fall. It also *means that the typical mortgage* level will fall from the chimney to the gutter, opening up an opportunity for additional borrowing.

It so happens that this effect will coincide with a rise in demand in 1994 and 1995 as the result of a reform of the income tax system, a reform which in these two years will not be fully financed.

At the same time, there is a big programme of public sector infra-structure investments. The tax reform and public investment programme will pump around DKr12bn to DKr15bn, equal to 1.2 to 1.5 per cent *of GDP, into the economy* in 1994. The bond conversion boom could add another half per cent of GDP to this effect. What nobody professes to know, however, is whether *consumers will spend* the extra money or take the opportunity further to reduce their debts/ *increase savings.*

Hilary Barnes

US MONEY AND CREDIT

Prices increase as fears on inflation subside

ALL last week, the US bond market clung to *its* newfound conviction that inflation is no longer an immediate threat to the economy, and that the forthcoming price data will bear the helpful imprint of the cigarette wars.

So bond prices rose, and the yield on the benchmark 30-year Treasury issue tumbled to its lowest level since the authorities began issuing this type of paper on a regular basis 16 years ago.

In fact, several new "records" were set during the week. The long bond's yield dipped to a "record" low of 6.67 per cent on Monday evening, having stood at 6.7 per cent at the end of the previous week. By Friday night, it had fallen further still, entering the July 4 holiday weekend at 6.66 per cent.

Bolstering this cavalier approach to the nation's economic fortunes was a series of statistics which indicated that the manufacturing sector remains at low ebb.

On Thursday, for example, the National Association of *Purchasing Management* reported that its index fell to 48.3 per cent in June, compared with 51.1 per cent in May. Any reading below the 50 per cent mark suggests that manufacturing activity in the economy is contracting.

But the most significant announcement came on Friday, *when the* Labor Department reported that non-farm payroll employment rose by just *13,000 in June.*

The nation's unemployment rate, meanwhile, edged back up to 7 per cent *last month,* with some 53,000 manufacturing jobs being eliminated.

The figures were significantly below the market's formal estimates – most pundits had pitched their predictions for the non-farm payroll employment increase at between 100,000 and 130,000. That said, a suspicion that the data would be weak had grown during the latter half of the week.

As a result, bond price movements were relatively muted in the wake of the news. The most noticeable immediate effect was a steepening of the yield curve, with the short-dated end of the market rising in response to the data, and the long-dated end lagging, still hampered by nervousness over rising gold and commodity prices.

By mid-morning on Friday, *analysts said* that the yield spread between two-year notes and the 30-year long bond had widened to around 274 basis points.

However, by the time that business had trickled away for the long Independence Day weekend, both ends of the market were at least showing price gains and the long bond yield – although not at its lowest level for the week – was only a smidgeon away.

Analysts are virtually unanimous in concluding that the *latest* run of economic data means that Federal Reserve officials will leave interest rates *untouched when the policy-setting* Federal Open Market Committee meets later this week.

The bond market, however, will have little additional information to guide its path next week.

The only significant set of statistics due to be released during the shortened four-day week is the May consumer instalment credit numbers, which will be published on Wednesday.

Instead, bond traders are likely to focus their attention on the following week's infla*tion numbers,* with the June producer price index due to be unveiled on July 13, and the *consumer price numbers to be* released on July 14.

Already, analysts are predicting that lower food prices, the drop in the cost of tobacco products, and softer energy quotes should pare back the PPI and leave the CPI unchanged during the month.

Nikki Tait

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
Abb Intl Fin 8⅞ 96	200	103¾	+⅛	4.81
Abbey Natl Treasury 6½ 03	1000	100¼	+½	6.46
ABN 9¼ 94	200	103⅛		4.16
Aetna Life Cas 7¼ 16	200	99¾		7.77
AlbertaProvince 8⅞ 98	750	110½	+½	5.16
AlbertaProvince 9⅜ 95	600	110⅝	+¼	4.84
American Express 0 00	450	62	+½	6.83
American General 9¾ 95	100	109¼	+¼	4.78
American Intl 0 04	750	48	+⅛	6.82
Amoco Canada 7¼ 02	250	106¾	+⅝	6.26
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U.S. DOLLAR STRAIGHTS (cont.)	Issued	Bid price	Chg on week	Yield
Sears Euro Trust 8¼ 96	750	108¾	+¼	5.27
Sears o/s Fin Zero 0 98	800	73	+⅝	6.48
Sears Roebuck Euro 9¾ 95	500	108⅜	+⅛	4.73
Skandinaviska Ensk 7⅞ 97	500	105	+¼	5.91
SNCF 9½ 98	150	117	+½	5.55
Spain 6½ 99	1500	103½	+½	5.81
State Bk NSW 8½ 96	200	109⅛	+½	5.14
Sweden 5½ 95	2000	102⅛	+⅛	4.54
Sweden 6½ 03	2000	101½	+½	6.39
Sweden 9¼ 98	350	115⅛	+½	5.46
Swedish Export 8¾ 96	700	108⅞	+⅝	4.88
[illegible]				

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
Asian Dev Bank 6 10	100	107½	+1½	5.32
Council Europe 4¾ 98	250	101½	+¼	4.38
EIB 6¾ 04	300	112	+½	5.30
Elec de France 7¼ 06	100	114½	-½	5.69
Finland 7¼ 99	300	111¾	+¾	5.01
General Motors 7½ 95	100	102½	-¼	5.94
Hyundai Motor Fin 8½ 97	100	109		6.09
Iceland 7⅞ 00	100	111¼		5.65
Kobe 6⅞ 01	240	109	+¼	4.98
New Zealand 4⅞ 99	200	100½		4.77
[illegible]				

U.S. DOLLAR STRAIGHTS (end)	Issued	Bid price	Chg on week	Yield
Petrobras 10 98	200	96		11.85
Philip Morris 9⅞ 98	200	104½	+⅛	8.63
Procter Gamble 9½ 98	200	115⅛	+½	5.66
Prudential Fin 8¾ 01	300	111	+⅝	6.49
Prudential Rlty Secs 0 99	365	73⅛	+½	5.82
Quebec Hydro 9 01	300	114¾	+½	6.65
Quebec Hydro 9¾ 98	150	116¼	+½	6.03
Quebec Prov 9 98	200	112½	+⅝	5.90
Queensland Govt 10¼ 95	100	110⅝	+¼	4.72
Ralston Purina 11¾ 95	150	111⅛	+⅛	5.20
Reed Publishing 9⅞ 97	150	114½	+⅞	5.50
Sainsbury 8⅛ 98	150	110⅝	+⅜	6.46
Sandoz o/s Fin 6⅞ 00	300	103⅛	+½	5.79
SAS 10 99	200	113¾	+¼	7.06
SAS 10⅛ 95	150	109⅝	+⅜	5.69
SBAB 9½ 95	600	108¾	+¼	4.60
SBC Finance 7¾ 98	200	108	+⅜	4.97

[illegible]	Issued	Bid price	Chg on week	Yield
Credit Foncier 7¼ 03	2000	101¾	+¼	6.98
Denmark 6⅛ 98	2000	98½	+¼	6.49
Deutsche Finance 7½ 95	1000	101¼	+¼	6.59
ECSC 8⅝ 96	700	106¼	+¼	6.53
EEC 6½ 00	2900	99½	-⅛	6.59
EIB 7½ 99	400	103⅞	+⅛	6.73
Finland 7½ 00	3000	101⅞	-⅛	7.12
Ireland 7¾ 02	500	104¼	+½	7.10
Italy 7¼ 98	5000	101½	+¼	6.84
KfW Intl Finance 7¼ 97	1500	102⅜		6.60
Spain 7¼ 03	4000	101¾	+⅛	6.99
Sweden 8 97	2500	104½		6.75
Tokyo Elec Power 7⅝ 02	1000	103¾	+⅛	7.05
United Kingdom 7⅞ 97	5500	102½	+¼	6.43
World Bank 0 15	2000	22½		6.86
World Bank 5¾ 98	300	99¾	+⅛	5.99
World Bank 8¾ 00	1250	111	-⅛	6.68

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
Asahi Glass	25/08/98	16	-⅞	20.28
Canon	24/05/95	8¾	-1	19.35
Dowa Mining	18/03/97	16¼	+1⅛	8.47
Hankyu Dept Stores	14/03/96	8½	+1¼	31.88
Hino Motors	09/07/94	¾	-¼	59.75
Kobe Steel	12/06/98	3	-⅜	62.12
Mitsui Toatsu Chem	30/01/98	9½	-⅜	
Morinaga	13/08/95	11⅛	+⅛	14.76
Nichirei Corp	11/06/98	18¾	+⅞	22.13
Nippon Cemeya	31/01/95	11⅛	-2	18.38
Nisshin Steel	18/04/96	3⅞	+⅛	82.27
Okura	30/01/98	8	-⅛	27.85
Royal Hotel	14/03/95	1⅞		89.61
SMC	25/07/95	4¼	+⅞	68.49
Takashimaya	02/07/96	8½	+⅛	28.27
Toyo Sash	06/08/97	6⅝	+¼	85.66

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on July 2

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Investors snap-up double-digit Eurolira coupons

RETAIL INVESTORS with a penchant for high-yielding bonds have been piling into the Eurolira sector of the international bond market recently, eager to snap-up bonds with double-digit coupons.

The Eurolira sector has experienced quite a change in sentiment in recent months. When the lira was pulled out of the European exchange rate mechanism last September, it was devalued by at about 20 per cent against the D-Mark. Added to this, the almost daily revelations of corruption among politicians led to considerable political uncertainty and did little to help Italy's financial markets.

However, the second Danish vote on the Maastricht treaty helped to put the convergence argument back on track. As the Bundesbank bowed to pressure last week and lowered its key interest rates, it prompted a wave of interest rate cuts across much of Europe as well as raising hopes that other countries – including Italy – would follow suit.

Investor interest in the Eurolira sector has been prompted by two main factors – the high yield, and the current relative stability of the lira. "Investors buy this market because this is the highest coupon currency in Europe," says Mr Niccolo Nuti, head of capital markets at Credito Italiano in Milan.

"This is one of the few remaining bond markets where you can get double-digit coupons," said one dealer at an Italian bank last week, adding that the prospect of falling yields was helping to stimulate buying interest among investors.

Deutsche Bank in London last week lead-managed a successful L200bn, 10-year deal for Abbey National Treasury Services with a coupon of 10 per cent. Mr Roger Bates, of Deutsche Bank, said one reason for the deal's success was the fact that as interest rates in Europe were set to fall, this represented one of the few remaining opportunities to buy bonds with a double-digit coupon.

Coupons in the Eurolira sector have been falling since the start of the year, when investors were able to buy bonds with coupons of 12.75 per cent. In the wake of the Abbey National deal, the EBRD launched a L200bn, seven-year deal with a 9.75 per cent coupon.

Admittedly, the lira is not the only high-yielding currency in Europe, but dealers say the Eurolira sector is regarded as a more liquid market than other high-yielding currencies, such as the peseta. The biggest issue in Eurolira is the EIB's L1,000bn benchmark.

Meanwhile, the currency – which came out of the ERM in September and weakened to around 1,000 to the D-Mark – has been strengthening steadily again. "The lira has finally found its equilibrium – it will probably stay where it is or appreciate slightly against the D-Mark," says one Eurolira specialist.

Traditionally, the Eurolira market has appealed to retail investors from the Benelux countries and Switzerland who want bearer bonds rather than registered government securities. They would rather buy top-notch paper denominated in lira for the high coupon and a play on the currency, than take Italian government risk.

For the borrowers themselves, the reason for tapping the Eurolira sector is predominantly swap-related. A total of L8,912bn (about $5.89bn) of new issues has been launched in the Eurolira sector in the first six months of 1993, according to figures compiled by Euromoney.

A few borrowers keep the proceeds in lira to fund Italian subsidiaries: for example, Abbey National borrowed in fixed-rate lira and swapped the proceeds into floating-rate lira for financing its Italian mortgage subsidiary. But dealers estimate some 90 per cent of issues are swapped into dollarsor D-Marks, depending on the swap opportunities, in order to obtain funding at well below London interbank offered rate.

Sara Webb

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Wharf Capital Intl.(d)§	52.5	Jul.2000	5	100	-	-	Morgan Stanley Intl.
Tokyo Electric Power Co.	1bn	Jul.2003	6.125	99.182R	6.237	+36 (6¼%-03)	Goldman Sachs Intl.
Hitachi Credit Corp.	100	Jul.1998	5.5	99.18R	5.693	+49 (5¼%-98)	UBS
Tokyo Gas Co.	350	Jul.1998	5.5	99.835R	5.539	+40 (5⅛%-98)	IBJ/ Merrill Lynch
Mitsubishi Kasei (UK)	50	Jul.1998	5.75	100.25R	5.691	+55 (5⅛%-98)	Mitsubishi Finance Intl.
BEMGE	50	Jan.1996	10#	99.57R	10.199	+600 (h)	Bear Stearns Intl.
Eagle 7, Super Snr 1 Notes★‡	20	Jul.1998	(k)	100	-	-	Daiwa Europe
Eagle 7, Super Senior 2 Notes‡	40	Jul.1998	(k)	100	-	-	Daiwa Europe
Eagle 7, Senior 1 Notes‡	18	Jul.1998	(l)	100	-	-	Daiwa Europe
Eagle 7, Senior 2 Notes	3	Jul.1998	6.48#	100	6.460	-	Daiwa Europe
Eagle 8, Senior 1 Notes★‡	25.4	Jul.1998	(m)	100	-	-	Daiwa Europe
Eagle 8, Senior 2 Notes★‡	25	Jul.1998	(m)	100	-	-	Daiwa Europe
Eagle 8, Senior 3 Notes★‡	20	Jul.1998	6.05#	100	-	-	Daiwa Europe
Dev. Bank of the Philippines	175	Jul.1998	8#	99.434R	8.140	+310 (5⅝%-98)	Citibank International
Bco. Com. Portugues Madeira‡	150	Jul.1996	(n)	100	-	-	JP Morgan Securities
Swedish Export Credit‡	100	Jul.1994	(o)	100.1	-	-	Lehman Brothers Intl.
ABB Intl. Finance‡	100	Jul.1994	(o)	100.125	-	-	Lehman Brothers Intl.
Den Danske Bank(s)‡	50	Jun.2000	(s)	100R	-	-	Salomon Brothers Intl.
Credito Italiano, Hong Kong(t)‡	50	Jun.2003	(t)	(t)	-	-	Credito Italiano, Milan
Rhône-Poulenc(y)‡	370	(y)	(y)	100	-	-	UBS
D-MARKS							
Keiyo Co.(a)Φ	100	Jul.1997	2.375	100	-	-	Yamaichi Bank (Deutch.)
Republic of Turkey	750	Jul.2003	8.75	101.65	8.499	-	DG Bank
BHF Finance (Neths.)	100	Jul.2000	6.5	100.875	6.343	-	BHF Bank
Arbed(p)§	125	Jul.2003	(p)	(p)	-	-	Merrill Lynch Bank
STERLING							
Kingdom of Sweden	350	Jul.2000	7.625	99.244R	7.769	+33 (9%-00)	BZW/ JP Morgan Secs.
Osaka Gas Co.	150	Aug.2003	8.125	99.468R	8.205	+40 (8%-03)	Barclays de Zoete Wedd
Abbey Nat. Treasury Services‡	100	Jul.1996	(e)	100R	-	-	Lehman Brothers Intl.
Rank Xerox Finance (Neth.)	125	Jul.2003	8.75	99.235R	8.869	+105 (8%-03)	CSFB
FRENCH FRANCS							
Crédit National(f)	1bn	May.2003	7.25	101.62R	7.010	+34 (6¾%-03)	CCF
Soc. Gén. Acceptance‡	500	Sep.2003	(g)	99.5R	-	-	Société Générale
Société Générale	2bn	Aug.1995	6	99.67R	6.180	+30 (9%-95)	Société Générale
Thomson-Brandt International	1bn	Jul.2000	7	99.575R	7.079	+67 (8½%-00)	Société Générale
European Investment Bank	2bn	Jul.1999	6.25	99.47R	6.359	+8 (8⅛%-99)	Crédit Lyonnais
Cetelem	1.5bn	Jul.2008	7.875	99.356R	7.950	+92 (8½%-08)	Banque Paribas
Crédit Local de France(v)	500	May.2003	7	100.238R	6.960	+20 (6¾%-03)	CCF
YEN							
World Bank(i)	225bn	Jun.2000	4.5#(i)	99.983R	4.502	+12 (6.4%-00)	Daiwa/ G. Sachs/ IBJ
Osaka Gas Co.	10bn	Nov.1999	4.95	100.075R	4.94	-	Daiwa Bank Capl. Mgmt.
Korea Development Bank	10bn	Nov.1995	4	100R	4.000	-	Bk. of Tokyo Capl. Mkts.
Japan Airlines Co.	20bn	Oct.2002	5.45	100.125R	-	-	Daiwa Europe
Japan Airlines Co.	15bn	Oct.2003	5.5	100.225R	-	-	Nikko Europe
Japan Airlines Co.	15bn	Jul.2003	5.5	100.35R	-	-	Nomura International
Mitsubishi Kasei Corp.(q)	20bn	Oct.1997	4.4	100.1R	-	-	Yamaichi Intl. (Europe)
SBAB	10bn	Nov.1996	4.25	100R	4.250	-	Nikko Europe
Marubeni Intl. Finance	10bn	Nov.1996	4.25	100.15R	-	-	Sakura Finance Intl.
CANADIAN DOLLARS							
Bayerische Vereinsbank	150	Jul.1999	7.125	99.6R	7.209	+40 (6½%-98)	Paribas Capital Markets
GECC	200	Dec.1996	6.5	99.687R	6.622	+20 (6½%-96)	Salomon Brothers Intl.
Bank for Dutch Municipalities	200	Aug.2000	7.375	99.39R	7.490	+42½ (h)	Goldman Sachs Intl.
GUILDERS							
Rabobank Nederland	500	Jul.1998	6.25	100.05R	6.238	+15 (6¼%-98)	Rabobank Nederland
ITALIAN LIRA							
Crédit Local de France	500bn	Aug.2003	zero	39.72	9.676	-	IMI Bank Luxembourg
Abbey Natl. Treasury Services	200bn	Jul.2003	10	101.075	9.826	-	Deutsche Bank London
European Investment Bank‡	500bn	Jul.1997	(x)	100.375	-	-	BCI/C.Italiano/San Paolo
EBRD	200bn	Jul.2000	9.75	100R	9.750	-	Banca di Roma
AUSTRALIAN DOLLARS							
Commonwealth Bk. of Australia	100	Aug.2003	7.625	100.725	7.519	-	CBA
SWEDISH KRONA							
Council of Europe‡	275	Apr.2000	(r)	99.5R	-	-	Morgan Stanley Intl.
Swedish Export Credit	1.5bn	Aug.1998	7.5	98.57R	7.857	-	Morgan Stanley Intl.
PESETAS							
European Investment Bank	15bn	Jul.2003	9.85	101.37	9.631	-	Banesto
SWISS FRANCS							
Canon Copier(b)§	60	Dec.1997	1.375#	100	-	-	Swiss Bank Corp.
Oliver Corp.(c)★Φ	50	Jul.1997	1.125	100	-	-	Nomura Bank (Switz.)
Nordic Investment Bank★‡	100	Jul.1998	(l)	100	-	-	UBS
Eurofima(u)	225	Jun.2003	5	103.5	-	-	Swiss Bank Corp.
LUXEMBOURG FRANCS							
BBL International	1bn	Aug.2003	7.25	101.5	7.036	-	Crédit Européen
Credit Suisse	1.5bn	Aug.2003	7.25	102.375	6.913	-	Kredietbank Luxembourg
Crédit Lyonnais Paris	1bn	Aug.2003	7.25	102.125	6.948	-	Crédit Lyonnais Lux.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. §Convertible. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price. a) Denom.: DM5000 + 5 warrants. Exercise price: Y2225. FX: 63.90Y/DM. b) Denom.: SFr50,000 + 50 warrants. Conversion price: Y1148. FX: 70.71Y/SFr. Callable on 31/12/95 at 101% declining by ¼% semi-annually. Acceleration clause applies from 31/12/93 subject to 150% rule. Conversion price adjustment clause. c) Denom.: SFr50,000 + 50 warrants. Exercise price: Y1907. FX: 72.16Y/SFr. Callable if all options have been exercised. d) Issue launched on 23/6/93 was increased to $402.5m. Convertible into Wharf Holdings shares at HK$24.89. FX: 7.756HK$/US$. Callable from 2/7/96 at par or earlier subject to 150% rule. e) Coupon pays 6-month Libor + 0.25%; maximum 8.75% 8.75%. f) Fungible with the outstanding FFr2bn. Plus 74 days accrued interest. g) Coupon pays 7% fixed annual in first year and 15.75% - 1.5 x 3-month Pibor thereafter. h) Spread is over interpolated yield curve. i) Global issue. Plus 23 days accrued interest. j) Coupon pays 6-month Libor - 0.15%. k) Coupon pays 6-month Libor + 0.5%. l) Coupon pays 6-month Libor + 1.1%. m) Coupon pays 6-month Libor + 0.8%. n) Coupon pays 6-month Libor + 0.25%. o) Coupon pays 3-month Libor - 0.125%. p) Deep discount convertible bonds. Pricing: 8/7/93. Coupon indicated at 2.5 - 2.75% and conversion premium at 13 - 16%. Callable from July 1998 at par plus accrued. q) Puttable on 29/10/96 at par. r) Coupon pays 9% fixed annual in first 9 months and 14.75% - 6-month Stibor thereafter. s) Fungible with the outstanding $300m. Coupon pays 6-month Libor + 1.1% until June 1997 and + 2.5% thereafter. Callable from June 1997 at par. t) Fungible with the outstanding $150m. Plus 30 days accrued interest. Coupon pays 6-month Libor - 0.125%; minimum 6%, maximum 10%. u) Fungible with the outstanding SFr400m launched in May. Plus 27 days accrued interest. Callable in 6 years and 9 years at par. v) Fungible with the outstanding FFr2bn. Plus 76 days accrued interest. x) Coupon pays 3-month Libor - 0.25%. Callable on any interest payment date from July 1996. y) Undated privately placed notes launched on 27/6/93. Coupon pays 6-month Libor + 1.15% for first 10 years, thereafter margin is determined by an auction process. Callable on any interest payment date. Note: Yields are calculated on ISMA basis.

RISK AND REWARD

UK investment management – a question of style

IS IT POSSIBLE to identify clear styles among UK investment managers? That question has preoccupied researchers in the US, where extensive analysis of managers' styles has allowed clients to identify clear biases in portfolios that go a long way towards explaining variations in performance.

But can such distinct styles be said to exist in the UK? And if they do, what are the implications for those who measure performance? After all, if different styles produce different results at different stages of a market cycle, is it reasonable or, indeed, productive to compare the results of managers with vastly different styles?

Instead, it may be far more relevant to compare the results of managers with similar styles to each other rather than to, say, the FT-A All Share Index or even the performance of all other fund managers.

These questions have been examined in some detail in research produced by Wells Fargo Nikko Investment Advisors and by Barra Incorporated, a US-based investment technology firm.

The research, a jointly-produced paper, looks at the portfolios of UK unit trusts for which data are readily available. It does not examine investment styles of institutional managers. Nevertheless, it is likely that similar styles would emerge if institutional funds were examined as well as retail funds.

To conduct their analysis, Barra and Wells Fargo Nikko have broken the FT-A Index into three categories: growth stocks, value-income stocks and small capitalisation stocks.

The study looked at 77 unit trusts with at least five years of results and with at least £100m in assets. Not surprisingly, clear styles emerged showing a disproportionate exposure to small companies. Small companies by value are only 5 per cent of the FT-A index. However, growth funds did prove true to their name in the sense that 37 per cent of assets fell into that category with 30 per cent of assets categorised as value stock. Value unit trusts on average had 62 per cent of assets in value stocks but also carried a hefty 20 per cent waiting in small companies. The so-called balanced funds showed a distinct tilt towards value stocks and a disproportionate concentration of about 24 per cent in small company stocks.

The authors of the research, Mr Andrew Rudd, chief executive of Barra, and Mr Jeffrey Skelton, managing director of Wells Fargo Nikko, suggest that the mis-labelling of unit trusts may reflect the fact that managers are unaware of biases which have crept into stock selection.

The research also examines the extent to which individual managers were true to their style and the percentage of performance which can be explained by their having stuck to it. The research records significant variations among managers on this score.

Deviation from a style can lead to outperformance. A manager who has spotted a turn in the market cycle may have adjusted his portfolio accordingly. Or he may be somewhat better at stock selection. But too often, the research shows, those who deviate from their style underperform others with the same style.

In their paper, Mr Rudd and Mr Skelton note that with this type of analysis it is possible to discover managers who are particularly good at one style or another. "From the history of the value and growth indexes in our sample period, it is obvious that a manager might outperform the growth style and still underperform the All Share. Likewise, a manager might have underperformed the value index and still outperformed the All Share. Rather than replacing the good growth manager with the poor value manager, the pension fund should replace the underperforming manager with one with better prospects against the value style index".

An effort to select managers in this fashion would doubtless create a new field of performance measurement in which managers could be measured against a more precise peer group. Aside from the commercial opportunities this would create for performance measurement services, it would be interesting to see just what this sort of scrutiny does for investment styles.

Norma Cohen

EQUIFUND - WRIGHT NATIONAL EQUITY FUNDS

société d'investissement à capital variable
Registered Office: Luxembourg, 14 rue Aldringen
Commercial Register: LUXEMBOURG Section B 32 557

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of EQUIFUND - WRIGHT NATIONAL EQUITY FUNDS, will be held at its registered office at Luxembourg, 14, rue Aldringen, on 13th July, 1993 at 3.00 p.m. for the purpose of considering and voting upon the following matters:

1. To hear and accept:
   a) the Management Report of the Directors;
   b) the Report of the Auditor.
2. To approve the statement of assets and liabilities and the statement of changes in net assets for the year ended 31st March, 1993.
3. To discharge the directors and the auditor with respect to their performance of duties during the year ended March 31st , 1993.
4. To elect the Directors to serve until the next annual general meeting of shareholders.
5. To elect Deloite & Touche Luxembourg S.A.r.l as auditor of the company to serve until the next annual meeting of shareholders.
6. Miscellaneous.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

In order to take part at the statutory meeting of 13th july, 1993, the owners or bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the the Fund, 14 rue Aldringen, Luxembourg, or with the following bank: Banque Générale du Luxembourg S.A., 14 rue Aldringen, L-1118 Luxembourg

The Board of Directors

KLEINWORT BENSON SELECT FUND, SICAV

Registered office: 14, rue Aldringen, Luxembourg
Commercial register: Luxembourg Section B no. 28.138

NOTICE OF
THE ANNUAL GENERAL MEETING
OF SHAREHOLDERS

The Annual General Meeting of Shareholders of KLEINWORT BENSON SELECT FUND, SICAV, will be held at its registered office at Luxembourg, 14, rue Aldringen, on 13th July, 1993 at 3.00 p.m. for the purpose of considering and voting upon the following matters:

1. To hear and accept:
   a) the Management Report of the Directors;
   b) the Report of the Auditor.
2. To approve the statement of net assets and the statement of operations for the year ended 31st March, 1993.
3. To discharge the Directors and the Auditor with respect to their performance of duties during the year ended 31st March, 1993.
4. To elect the Directors and the Auditor to serve until the next annual general meeting of shareholders.
5. Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

In order to take part at the statutory meeting of 13th July, 1993, the owners or bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Company, 14 rue Aldringen, Luxembourg, or with the following bank:

Banque Générale du Luxembourg S.A.
14, rue Aldringen
Luxembourg

The Board of Directors

JUPITER TYNDALL GLOBAL FUND SICAV

Registered Office: Luxembourg, 13,rue Goethe
R.C. Luxembourg B 34.593

DIVIDEND NOTICE

The Directors resolved on 16th June 1993 to pay a dividend of 2 pence per share to shareholders of the High Yield Portfolio on record on 30th June 1993 payable on 5th July 1993.

By order of the Board

WORLD STOCK MARKETS

AUSTRIA

1993 High	Low	July 2	Price Sch
1,720	1,290	Austrian Airlines	1,579
618	409	Creditanstalt Pf	587
3,770	2,980	EA General	3,145
928	690	EVN	867
635	484	Lenzing	623xd
733	582	OeMV	692
1,105	760	Perlmooser Zement	841
361	290	Radex Heraklith	336
1,380	900	Reininghaus Brau	1,340
220	160	Steyr Daimler	165
285	211	Veitscher Magnesit	246
690	380	Verbund (Bt) A	556
535	440	Vienna Int Airport	458
3,675	2,820	Wienerberger	3,115
1,140	980	Z-Laenderbank	1,095

BELGIUM/LUXEMBOURG

1993 High	Low	July 2	Price Frs.
2,615	2,146	AG Group	2,615xd
3,150	2,350	Ackermans	3,100
7,500	6,990	Almanij	7,440
3,180	1,750	Arbed	3,050
3,790	3,100	BBL	3,760
12,350	11,500	Bank Intl a Lux	12,350
17,300	13,501	Banq Gen Lux Pts	17,300
35,500	31,000	Banque Nat Belg	34,500
16,125	13,300	Bekaert	15,875
10,075	8,000	CBR Ciment	9,910
1,985	1,492	CMB	1,935
5,290	4,220	Cobepa	5,100
126	81	Cockerill Priv	115
6,400	5,020	Colruyt	6,170
1,374	1,122	Delhaize Frs Lion	1,284
6,350	5,610	Electrabel	6,220
6,350	5,450	Electrabel AFV1	6,250
2,750	2,030	Electrafina ACT	2,705
3,740	2,605	GBL	3,660xd
3,630	2,600	GBL AFV 1	3,500xd
1,320	1,110	GIB Group	1,306

FRANCE

1993 High	Low	July 2	Price Frs.
637	486	AGF	600
738	580	Accor	617
808	682	Air Liquide	735
692	601	Alcatel Alsthom	640xd
1,394	997	Axa	1,336
1,290	925	BIC	1,251
1,010	853	BSN	986
596	420	BNP Cert Inv	536
542	392	Bancaire Cie	531
3,208	2,420	Bongrain	2,490
722	536	Bouygues	690
1,249	851	CGIP	1,111
1,399	1,028	Canal+	1,237
211	135	Cap Gemini S	188.70
239.40	178.50	CarnaudMetalbox	202.70
2,922	2,250	Carrefour	2,880
167	131	Casino	139.40
1,439	990	Chargeurs	994
440	340.10	Club Mediterranee	347
396	300	Cogifi	396
615	550	Coparex Int	551
259	208.50	C C F	228.50
1,194	849	Cr Fonc France	1,014
700	456	Cred Lyon (CI)	680
442	320	Credit Local Fr	412
1,431	1,051	Credit National	1,270
4,249	3,212	Damart	4,100
504	390	Docks de France	496.20
335	240	Dollfus Mieg Cie	283.50
775	590	EBF	634
2,400	2,030	Eaux Cie Genl	2,135
490	392	Ecco	425
412	320	Elf Aquitaine	390.20
370	279.10	Elf Aquitaine Certs	348
1,144	883	Elf Sanofi	919
798	571	Eridania B-Say	767
634	455	Eridania B-Say CI	808
480	381	Essilor Int	451
2,290	1,725	Etex	1,850
1,720	1,280	Eurafrance	1,640
550	406.20	Euro RSCG	526
99	60	Euro Disney	67.05
555	401	Fin Paribas	465.50
140	112.80	Finextel	128.50xd
695	580	Fonc Lyonnaise	656
4,245	3,325	Fromageries Bel	4,220
456	307.10	GTM-Entrepose	407

CANADA

TORONTO

4 pm close July 2

MONTREAL

4 pm close July 2

INDICES

NEW YORK

DOW JONES	July 2	July 1	June 30	June 29	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3483.97	3510.54	3516.08	3518.85	3554.83 (27/5)	3241.95 (20/1)	3554.83 (27/5/93)	41.22 (8/7/32)
Home Bonds	107.70	107.62	107.61	107.75	107.75 (29/6)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1552.23	1553.91	1549.92	1538.59	1683.08 (15/4)	1453.84 (4/1)	1683.08 (15/4/93)	12.32 (8/7/32)
Utilities	244.13	245.32	244.79	244.65	247.68 (16/4)	237.14 (8/1)	247.68 (16/4/93)	10.50 (8/4/32)

DJ Ind. Day's High 3511.55 (3542.18) Low 3468.47 (3487.29) (Theoretical)
Day's High 3510.27 (3523.00) Low 2481.20 (3503.82) (Actual)

STANDARD AND POOR'S

	July 2	July 1	June 30	June 29	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	445.84	449.02	450.53	450.69	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials	508.23	511.67	514.26	515.11	524.99 (10/3)	486.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	44.79	45.19	45.15	44.98	46.67 (13/4)	39.89 (8/1)	45.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	247.12	248.64	249.10	249.06	251.36 (10/3)	238.21 (8/1)	251.36 (10/3/93)	4.46 (28/4/42)
Amex Mkt. Value	435.27	435.87	434.24	433.52	440.95 (4/6)	395.84 (8/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	704.49	703.59	703.95	701.07	708.85 (4/2)	645.87 (26/4)	708.85 (4/2/93)	54.87 (31/10/72)

	Jun 25	Jun 18	Jun 11	year ago (approx.)
Dow Industrial Div. Yield	2.95	2.95	2.93	3.14

	Jun 30	Jun 23	Jun 16	year ago (approx.)
S & P Industrial div. yield	2.51	2.55	2.51	2.72
S & P Ind. P/E ratio	25.42	25.04	25.47	28.03

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Sunshine Min	4,364,800	2¾	—
Carr-Gotts	3,930,300	14⅞	—
Levitz	3,015,800	14	—
YPF Sociedad	2,504,500	21⅛	- ⅛
IBM	2,434,400	48¾	- 1
Ford Motor	2,175,400	49½	- 1½
TJX Co Inc	2,043,400	30¾	- 2⅝
RJR Nabisco	2,019,000	5⅝	—
Wal-Mart	1,996,800	25¾	—
Merck	1,956,200	34⅝	- ⅞

TRADING ACTIVITY

† Volume (Millions)	July 2	July 1	June 30
New York SE	212.674	281.222	280.880
Amex	15.886	20.414	16.923
NASDAQ	(d)	295.787	285.901
NYSE			
Issues Traded	2,542	2,583	2,545
Rises	815	1,184	1,121
Falls	1,100	816	835
Unchanged	627	583	589
New Highs	81	105	98
New Lows	19	22	33

CANADA

TORONTO	July 2	July 1	June 30	June 29	1993 HIGH	1993 LOW
Metals & Minerals	3020.48	(c)	2978.43	2944.78	3020.48 (2/7)	2743.31 (21/1)
Composite	3997.72	(c)	3968.37	3963.23	3997.72 (2/7)	3275.80 (21/1)
MONTREAL Portfolio	1910.85	(c)	1887.14	1892.07	1999.10 (25/5)	1730.87 (21/1)

TOKYO - Most Active Stocks

Friday, July 2, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Mtl Min	17.4m	1,060		Cosmo Oil	3.1m	848	+5
Shionogi & Co	7.7m	1,050	+65	Mitsui Min & Sml	3.0m	514	-3
Nippon Oil	4.0m	785	-15	Koa Oil Co	2.2m	1,010	-20
Nippon Steel	3.1m	383	-8	Canon Inc	2.2m	1,290	-40
Hitachi	3.1m	808	-2	NEC Corp	1.7m	943	-2

JAPAN

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FT MANAGED FUNDS SERVICE

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071-407 5966						
Income	5	394.78	394.78	419.88	4.2	[illegible]
Global Inc	5	80.45	80.45	84.31	3.02	[illegible]
Brit Leaders	5	308.42	308.42	328.11	2.10	[illegible]
Intl Leaders	5	189.19	190.19	202.33	0.64	[illegible]
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	5	52.30	52.30	55.63	1.22	[illegible]
Far Eastern Tst	5	62.29	63.08	67.08	0.75	[illegible]
Smaller Cos	5	157.1	161.8	172.1	1.80	[illegible]
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American	5	267.9	268.4	284.0	0.86	[illegible]
S & W Capital	5	119.9	119.9	128.6	1.84	[illegible]
S & W Cash	0	101.24	101.24	101.24	5.39	[illegible]
S & W European	5	112.0	112.1	118.0	1.00	[illegible]
S & W Far Eastern	5	147.9	148.5	158.1	0.00	[illegible]
S & W Growth	5	127.1	129.0	138.4	1.17	[illegible]
S & W Income	5	114.9	116.0	122.7	4.06	[illegible]
S & W Magnum	5	124.7	124.7	133.8	1.56	[illegible]
S & W Smllr Secs	5	318.3	328.2	345.1	0.45	[illegible]
S & W Thoroughbred	5	149.4	149.4	157.1	1.61	[illegible]
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	49.81	49.81	50.31	5.3	[illegible]
Ethical	5½	62.79	63.69	67.05	3.9	[illegible]
Income	5½	62.70	63.14	56.88	5.5	[illegible]
Intl Growth	5½	80.06	80.65	86.02	2.9	[illegible]
Managed	5½	69.40	70.18	74.83	3.8	[illegible]
UK Growth	5½	66.79	67.38	61.20	4.3	[illegible]
Standard Life Tst Mgmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	44.14	44.14	46.90	1.64	[illegible]
UK Equity Gth Acc	5¼	59.35	60.43	64.21	1.45	[illegible]

	Bid Price	Offer Price	Yield Gross	City-Line
Fidelity Investment Services Ltd				
Exempt American Portfolio	135.7	141.1	0.00	43440
Mngd Pens P'folio	178.6	180.6	0.00	46665
Fledgeling Charity Portfolio				
25 Copthall Avenue EC2R 7DR 071-638 5566				
UK Equity	£1.1504	1.1696	3.91	-
Bond	£1.0365	1.0601	8.50	-
Robert Fleming Asset Mngmt Ltd				
Am Exempt	£614.87	623.63	1.68	40458
Gen Exempt	£164.73	168.11	3.30	40457
Jap Exempt	£661.94	672.51	1.04	40459
Pacific Exempt	£155.69	159.87	1.50	46589
Cont Euro Exempt	£119.35	121.89	2.35	47674
Foreign & Colonial Unit Management Ltd				
Balanced Acc Jun 28	189.8	194.0	3.50	43441
Balanced Inc Jun 28	183.4	190.5	3.50	43443
Latin American Acc Jun 30	104.1	105.3	1.52	43444
Funds In Court*				
Capital May 27	557.10	561.30	3.68	40505
Gross May 27	208.78	208.41	10.08	40506
High Yield May 27	344.30	347.04	7.49	40507
* Restricted to monies under Court control				
Gevatt (John) Unit Mngmt Ltd				
Managed Exempt	110.95	113.96	3.60	43448
Henderson Unit Trust Management Ltd				
Pensions Mngd	62.09	63.36	2.75	40670
Henderson TR				
Ex European	1580.65	1612.51	1.69	47801
Ex Nth American	1385.17	1407.84	0.72	47802
Ex Pacific Basin	930.61	953.92	0.82	47803
Ex Smaller Cos Inc	1999.23	2046.87	2.83	49737
Ex Smaller Cos Acc	2077.89	2132.37	2.36	43782
INVESCO Asset Management Ltd				
Exempt Funds				

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	Yield Gross	City-Line
Providence Capitol Life Assc. Co Ltd - Contd.				
Alpha Pension Funds				
UK Alpha	231.0		-	47229
US Alpha	120.3		-	47230
Gilt Alpha	87.0		-	47231
Gold Alpha	98.5		-	47232
Japan Alpha	44.8		-	47233
US Dollar Alpha	75.5		-	47234
Yen Alpha	81.0		-	47235
DM Alpha	86.8		-	47236
European Alpha	87.7		-	47237
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ				0256 470707
Gold Range (Pensions)				
Discretionary Fund	158.1		-	48412
Provident Mutual Life Assc. Assn.				
6 Hills Way Stevenage Herts SG1 2ST				0438 732000
Managed Ord	418.3	440.3	-	43484
Managed Init	295.5	311.1	-	43485
Equity Ord	625.2	658.1	-	43486
Equity Init	441.6	464.8	-	43487
Index Linked Gilt Ord	198.3	208.6	-	43488
Index Linked Gilt Init	144.8	152.4	-	43489
Overseas Equity Ord	334.9	352.5	-	43490
Overseas Equity Init	236.8	249.1	-	43491
Property Ord	228.7	240.7	-	43492
Property Init	161.5	170.0	-	43493
Fixed Interest Ord	265.2	279.2	-	43494
Fixed Interest Init	187.3	197.2	-	43495
Deposit Ord	196.9	207.3	-	43496
Deposit Init	139.1	146.4	-	43497
Pension Funds				
Managed Ord	552.1	581.2	-	43498
Managed Init	390.0	410.5	-	43499
Equity Ord	852.7	897.6	-	43500
Equity Init	602.3	634.0	-	43501
Pen Ind Lkd Gilt Ord	223.6	235.4	-	43502
Pen Ind Lkd Gilt Init	164.9	173.6	-	43503
Overseas Equity Ord	389.1	409.6	-	43504
Overseas Equity Init	274.9	289.4	-	43505
Property Ord	292.3	307.7	-	43506
Property Init	206.5	217.4	-	43507
Fixed Interest Ord	345.1	363.3	-	43508
Fixed Interest Init	243.8	256.6	-	43509
Deposit Ord	288.4	303.6	-	43510
Deposit Init	203.7	214.4	-	43511
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH				071-405 9222
Prufund				
Managed Jun 30	304.3	317.0	-	43512
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP				0734 494852
Prudential Managed Funds				
Discretionary Jun 23	233.28	240.74	-	43539
Equity Jun 23	261.69	270.88	-	43540
International Jun 23	238.01	40.11	-	43541
Intl Bond Jun 23	120.43	20.70	-	43542
Fixed Int Jun 23	124.63	128.11	-	43543
Index Linked Jun 23	91.18	92.27	-	43544
Property Jun 23	110.28	116.58	-	43545
Cash Jun 23	33.52	33.52	-	43546
Pru-Linked Retirement Plan				
Managed Jun 23	547.10	569.80	-	43547
Cash Jun 23	303.70	316.40	-	43548
Prudential Pensions Investment Account				
Pens Mngd	218.40	234.60	-	43549
Pens Mngd A	97.80	102.80	-	44169
Pens UK Eq	388.50	398.30	-	43550
Pens Intl	272.80	282.50	-	43551
Pens Global Eqty	123.40	129.90	-	40526
Pens Fixed	282.80	298.50	-	43552
Pens Index Lk	229.80	242.80	-	43553
Pens Property	89.80	94.80	-	40531
Pens Cash	198.40	208.80	-	43554
Money Purchase Plan				
Discretionary (2)	128.10	135.30	-	44501
Equity (2)	123.40	139.30	-	44652
International (2)	128.00	134.70	-	44680
Global Equity (2)	128.00	137.40	-	44684
Intl Bond Feb (2)	143.40	151.00	-	44685

	Bid Price	Offer Price	Yield Gross	City-Line
Scottish Amicable				
150 St Vincent St, Glasgow				041-248 2323
Life Funds (First Series)				
Managed	407.3	428.8	-	43861
Equity	509.2	536.1	-	43858
Property	243.4	256.2	-	43860
International	400.3	421.4	-	43857
Japanese	114.0	120.0	-	46257
Asia Pacific	142.0	149.5	-	46254
European	106.7	112.4	-	46256
American	144.9	152.6	-	46253
Fixed Interest	344.7	362.9	-	43856
Index-Linked Gilt	188.4	198.4	-	43860
Cash	220.4	232.1	-	43853
Life Funds (Second Series)				
Managed	113.4	119.4	-	47103
Equity	109.5	115.3	-	47097
Property	102.4	107.8	-	47107
International	123.7	130.3	-	47101
Japanese	114.2	120.3	-	47102
Asia Pacific	139.3	146.7	-	47058
European	105.9	111.5	-	47078
American	141.7	149.2	-	47080
Fixed Interest	129.6	136.5	-	47091
Index-Linked Gilt	120.6	126.9	-	47100
Cash	109.4	115.2	-	47081
Pension Funds				
Building Society	173.8	183.0	-	43874
Managed (Init)	235.2	247.6	-	43872
Managed (Acc)	467.4	492.0	-	43873
Equity (Init)	265.1	279.1	-	43862
Equity (Acc)	526.6	554.6	-	43863
Property (Init)	143.7	151.3	-	43868
Property (Acc)	285.5	300.6	-	43869
International (Init)	237.0	249.5	-	43866
International (Acc)	471.0	495.8	-	43867
Fixed Interest (Init)	230.6	242.8	-	43864
Fixed Interest (Acc)	458.3	482.5	-	43865
Cash (Init)	153.9	162.1	-	43870
Cash (Acc)	306.0	322.2	-	43871
Others				
Capital Guarantee Bond	99.6	104.8	-	44329
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh				031-556 9101
Mixed	226.1	238.0	-	43875
UK Equity	215.5	226.7	-	43876
International	225.3	237.1	-	43877
American	235.9	248.4	-	43878
European	209.2	220.2	-	43879
Japan	239.0	251.6	-	43880
Pacific	314.7	331.3	-	43881
Technology	300.3	316.1	-	43882
Fixed Interest	171.5	180.5	-	43883
Indexed Linked	152.9	160.9	-	43884
Foreign Bond/Currency	221.2	232.8	-	43885
Cash	172.900	182.000	-	43886
Ethical	118.4	124.6	-	47622
Pens Mixed	645.9	679.9	-	43887
Pens UK Equity	719.6	757.5	-	43888
Pens International	695.5	732.2	-	43889
Pens American	238.4	251.0	-	43890
Pens European	240.7	253.4	-	43891
Pens Japan	281.9	296.8	-	43892
Pens Pacific	360.0	379.0	-	43893
Pens Fixed Interest	345.3	363.5	-	43894
Pens Index Linked	189.6	199.6	-	43895
Pens Cash	275.226	289.714	-	43896
Pens Property	212.08	223.24	-	43897
Pens Ethical	150.9	158.9	-	48630
Edinburgh Inv	344.4	362.6	0	43898
Baillie Gifford Japan	226.3	238.2	-	43899
Scottish Life Investments				
19 St Andrew Square, Edinburgh				031-225 2211
Property	176.2	185.6	-	43900
UK Equity	318.9	335.8	-	43901
American	232.3	244.6	-	43902
Pacific	307.0	323.2	-	43903
European	398.0	419.1	-	43904
International	273.6	288.1	-	43905
Fixed Interest	230.5	242.7	-	43906
Index Linked	189.3	199.4	-	43907
Deposit	185.1	195.0	-	43908

	Bid Price	Offer Price	Yield Gross	City-Line
Sun Alliance Group - Contd.				
Worldwide Bond	165.5	174.3	-	44224
Fram Special Managed	159.6	168.0	-	44232
Fram America Smllr Cos	168.3	177.2	-	44227
Fram America Turnaround	163.9	172.6	-	44230
Fram Capital Tst	151.2	159.2	-	44228
Fram Intl Growth	165.0	173.7	-	44226
Fram Japan & General	229.0	241.1	-	44229
Fram Recovery Tst	224.1	235.9	-	44231
GT Special Mngd	181.1	189.1	-	44240
GT Asian Spec Sits	171.5	180.6	-	44235
GT Capital	184.2	193.9	-	44236
GT European	131.9	138.9	-	44239
GT Far East & Gen	171.2	180.3	-	44237
GT International	148.5	156.4	-	44233
GT Japan & General	133.8	140.9	-	44238
GT US & General	201.6	212.2	-	44234
Gonsalor Intl	99.20	104.5	-	-

OFFSHORE INSURANCES

	Bid Price	Offer Price	Yield Gross	City-Line
AXA Equity & Law Intl Life Assce Co				
Victory Hse, Prospect Hill, Douglas, IoM				0624 677877
European Equity	97.4	104.7	-	44915
Far Eastern Equity	$1.555	1.672	-	44916
North American Equity	$1.101	1.183	-	44917
UK Equity	118.0	126.8	-	44918
UK Gilt & Fixed Int	97.0	104.3	-	44919
Dollar Deposit	$0.677	0.727	-	44920
Sterling Deposit	92.8	99.7	-	44921
Managed Currency	83.8	90.0	-	44922
International Managed	109.1	117.3	-	44923
Inv Mkt Intl Global Pen £	52.2	54.9	-	47083
Inv Mkt Intl Global Pen $	$0.768	0.808	-	47087

	Bid Price	Offer Price	Yield Gross	City-Line
Royal Skandia Life Assurance Ltd - Contd.				
$ Balanced Fidelity	$1.223	1.315	-	43748
$ Balanced INVESCO MM	$1.184	1.273	-	47730
$ Aggressive Perpetual	$1.182	1.270	-	47731
$ Deposit	$1.133	1.218	-	47402
ECU Cautious Gartmore Flgn	Ecu1.158	1.242	-	44498
ECU Balanced Gartmore	Ecu1.147	1.233	-	44497
ECU Balanced SK SICAV	Ecu1.103	1.186	-	43751
ECU Balanced INVESCO MM	Ecu1.086	1.165	-	47732
S.A.M. 1 A$	A$1.784	1.888	-	47405
S.A.M. 2 Aus$	A$1.184	1.248	-	45317
S.A.M. 3	£1.768	1.858	-	47407
S.A.M. 4	£1.698	1.776	-	47408
S.A.M. 5 Yen	Y104.000	1120.000	-	45304
S.A.M. 6 Yen	Y1080.000	1084.000	-	45281

	Init Chge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Equitable International Fund Managers Ltd						
PO Box 255, St Peter Port Guernsey CI						0481 710651
Sterling High Yld	1		0.998	1.007	4.82	46307
Guinness Flight Fd Mngrs (Guernsey) Ltd						
PO Box 250, St Peter Port, Guernsey						0481 712176
Guinness Flight International Accum Fund (Daily)						
US Dollar Money	0		$-	37.880	2.47	45359
Sterling Money	0		£-	28.874	5.37	45360
Yen Money	0		Y-	7835.607	2.48	45361
Deutschemark Money	0		DM-	84.693	7.19	45362
Swiss Franc Money	0		SFr-	61.772	4.38	45363
Mngd Currency	5¼		$70.31	79.50 83.68	5.02	45136
Intl Prime Bond	5¼		$38.57	38.57 40.60	6.27	44843
Intl High Yld Bond	5¼		$35.10	35.22 37.07	7.88	44844

	Bid Price	Offer Price	Yield Gross	City-Line
Merrill Lynch Guernsey				
Bangkok NAV Jun 30		$95.80	-	42709
Euro Spain Jun 29	$7.85	8.43	-	46550
Iberia Portfolio NAV		$8.44	-	-
Latin Am Cap Pshs A May 28		$10.96	-	-
Latin Am Cap Pshs B Jul 31		$9.80	-	-
Nikko Capital Mngt (Europe) Ltd				
New Generation Fd	$24.18	24.44	-	45580
Japan Index Fund	Y2518	2644	-	45559
Japan Index Alpha	Y7400	7572	-	46350
Jpn Sector Rotation Fd	Y8684	5768	-	47334
Jpn Cap Grwth CB Fd	Y11705	11706	-	45422
Jpn Rain Reversal Fd	Y10927	11030	-	47753
Quilter International Management Ltd				

	Bid Price	Offer Price	Yield Gross	City-Line
J. Rothschild International Assce plc				
Aggressive US$	$10.620	11.179	-	-
Balance US$	$10.559	11.115	-	-
Cautious US$	$10.263	10.804	-	-
Bond US$	$10.398	10.946	-	-
N. A. Equity	$9.960	10.485	-	-
Japan	$12.311	12.959	-	-
Far Eastern	$11.265	11.858	-	-
Deposit	$10.063	10.593	-	-
Managed Currency	$10.650	11.211	-	-
Aggressive DM	DM10.863	11.435	-	-
Balance DM	DM10.761	11.317	-	-
Cautious DM	DM10.487	11.039	-	-
Bond DM	DM10.338	10.883	-	-
European	DM10.587	11.145	-	-
Deposit DM	DM10.309	10.852	-	-
Special Deposit DM	DM10.445	-	-	-
Aggressive £	£10.624	11.184	-	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd (1400)F

Standard Bank Fund Mngmt (Jersey) Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

Citibank N.A.

Coutts & Co (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Equitilink International Mngt Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

Greece Fund Ltd

John Govett Management (Jersey) Ltd

INVESCO International Limited

Lloyds Bank Trust Co (CI) Mngrs

Management International (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Northgate Unit Tst. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Royal Trust Intl Fd Mngt Ltd

Schroder Mngt Services (Jersey) Ltd

Scrimgeour Kemp-Gee Mngmt., Jersey

TSB Trust Funds (CI)

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Abtrust Fund Mngrs Luxembourg SA (x)

Bank Von Ernst & Cie AG

Banque Scandinave a Luxembourg SA

Banque Scandinave a Luxembourg SA - Contd.

Barclays Diversified Portfolio

CAI Asset Management (Luxembourg) SA

Barclays Inv Funds (Luxembourg)

Commercial Union Luxembourg SA (x)

Cresvale Group (x)

DB Investment Management SA

Den norske Bank

Dies Income Fund

Dolphin Intl Investment Co SICAV

Dresdnerbank Asset Mngmt SA (x)

E.T. Investment Management Ltd

Eagle Star - Global Assets Fund (x)

Fidelity Funds (x)

Five Arrows Asia Pacific Fund

Fleming Group (x)

Gartmore Luxembourg SA (x)

Henderson Investment Mgmt SA (x)

Hypo Foreign & Colonial Port Fd Sicav(x)

INVESCO International Limited (x)

Jupiter Tyndall Global Fund

Kleinwort Benson Japanese Warrant Fund

Kleinwort Benson Select Fund (x)

Latin American Mngmt Group Ltd (x)

Liberty ALL-STAR World Ptfolio-Eqty Fd(x)

Lloyds Bank Luxembourg

Midland Internatl Growth Fund SICAV(x)

Nomura Global Fund (x)

PRICOA Worldwide Inv Portfolio Sicav (x)

Regent Global Fund (x)

Sarasin Investment SICAV (x)

Schroder International Selection Fd (x)

Sun Life Global Management Ltd (x)

Touche Remnant (Guernsey) Ltd (x)

S.G. Warburg Asset Mngmt Lux SA (x)

Wardley Investment Services (Lux) SA (x)

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (x)

Alliance Capital

Asian Development Equity Fund

BAII Intermarket Fund

Banque Ferrier Lullin (Lux) SA

Banque Paribas Luxembourg

CII Fund International (x)

CSFB Umbrella

Capel-Cure Myers Inmi Fd Sicav (x)

Citicorp Investment Mgmt (Luxembourg) SA

Clemente Korea Emerging Growth Fund

Credit Commercial de France

Credit Lyonnais Rouse (Bermuda) Ltd

Credit Suisse

Daiwa Japan Gen Fund

Daiwa Japan Small Equity Fd (x)

Dean Witter World Wide Invest. Tst SA

The Dragon Fund Sicav

Espirito Santo Investment Mngmt (SICAV)

Eureca Management S.A.

Europe Value Fund (x)

EurOptec (x)

Fidelity Intl Inv Mngt (Luxembourg) Ltd

Fidelity Investment (CI) Ltd

The First Korea Smaller Companies Fund

Fleming Group

Garbanz Funds

Gartmore Luxembourg S.A.

H.C.M. HYPO Capital Mgt Luxembourg SA

H.C.M. Global Strategy SICAV

International Bond Trust

International Speciality Fund (x)

INVESCO International Limited

Investinl Investment Fund SICAV

Investissements Atlantiques SICAV

Latin American Mngmt Group Ltd

Lloyds Bank Luxembourg

Mediterranean Fund (SICAV) (x)

Merrill Lynch Asset Management

Morgan Stanley Sicav

Murray Dubrani, Sicav

NM Income & Gwth Fd

NCAM Asia Pacific Umbrella Fund

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Nomura Rosenberg Alpha Fund Mark II

North Currency Fund

Pacific Basin Growth Fund

Rosenberg Global Mngt Co SA

Rosenberg Management SA (x)

Rosenberg US Japan Mngmt Co SA (x)

Edmond de Rothschild Group

SCI/TECH SA

Scudder, Stevens & Clark

Templeton Emerging Asia

Templeton Worldwide Investments

Target International Ltd

Transworld Bond Trust

US Pacific Stock Fund (x)

Volksbank SA, Frontrunner I (x)

Dolce Financial Services SA Lux

Wardley N APT (Luxembourg) SA

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Bond Fund-SICAV

World Trust Fund

Yamaichi Advanced Technology Fund

Yamaichi 1992 Child Fund SICAV (x)

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Adig Investment

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Alpha Fund Management Ltd

Asia Convertibles & Income Fd (Cayman)

Austro-Hungary Fund

BEA Associates

Julius Baer Bank & Trust Co Ltd

Bank Von Ernst & Cie AG

Bque Fr Serv & Cr/Europ Inv Mngt Ltd

Barclay Eurofutures Fund Ltd

Baring International Group

The Batavia Fund Ltd

Bermuda Capital Company Ltd

Bermuda Intl Invest Mngmt Ltd

Global Government Plus Fund

Bordier Funds Ltd

The Brazilian Inv Fund

Bridge Management Ltd

Brinson Fund

Butterfield Management Co Ltd

CA Securities Investment Fund Mngmt Ltd

CDC International

Centrade ITEC Fund Management

Capital International

Cathay Clemente (Holdings) Limited

The China Fund

China Investment Company

The China Invest & Development Fd Ltd

Citizens Investment Trust Mgt Co Ltd

Connaught Investments Ltd (Hong Kong)

Craig Drill Capital Ltd

Credit Lyonnais Intl Asset Mgmt (HK) Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

Cregem International Bank

Crystal Corporation N.V.

DWS Deutsche Ges. F. Wertpapiersp

Dashan Investment Trust Co Ltd

Daiwa APT Japan Fund

Daiwa Intl Capital Management (H.K.) Ltd

Daiwa Japanese Equity Warrant Fund

Deutscher Investment-Trust

EBS Overseas Fund Ltd

Eagle Q-7 Mexico Fund Ltd

East Asia Hanson Asset Mngt Ltd

Emerging Markets Management

The Emerging World Investment Co Ltd

Enskilda Group

Europe 1992

S.G. Europe Obligations SA

FPM / Dabco Financial Services

FX Concepts (Bermuda) Ltd

Fairfield Greenwich Capital Fund Ltd

Falcon Fund International Inc

Fidelity Investments

First Mexico Income Fund

Five Arrows Chile Fund Ltd

Formosa Fund

Formosa Growth Fund Limited

Frankfurt Trust Investment-GmbH

GT Chile Growth Fund Ltd

GT Management Plc

Gaia Currency Funds

Gartmore Fund Managers Ltd

Gazzarelli Sector Analysis Portfolio NV

Genesis Fund Managers Ltd

Gentrust SA

Global Asset Management

Goldman Sachs

Green Way Guaranteed Ltd

Greystone Portfolio Ltd

Group One Limited

Group One International Tst

Guinness Mahon Fund Managers (Guernsey) Ltd

Hausmann Hldgs NV Currency

The India Magnum Fund NV

Indosuez Asia Invest Services Ltd

The Jaguar Fund N.V.

The Japan Capital Secured Trust

Jardine Fleming Inv Mngt Ltd

Jardine Fleming Unit Trusts Ltd

Johnson Fry Securities Ltd

Kestrel

Korea Intl Investment Fund

Korea Investment Trust Co Ltd

Lehman Brothers Opportunity Fund

Lippo Asia Ltd

Lloyd George Management

London Portfolio Services Group

MFS Meridian Funds

Malaysia Capital Fund Ltd

Malaysia Fund (Labuan)

Malaysia Growth Fund

Man International Futures

Mannikon Fund Ltd

Merrill Lynch Asset Management

Merrill Lynch Guernsey

Mineinvest International Ltd

Momentum Asset Mngmt

Montgomery Emerging Markets Fund Ltd

Moore Global Investment

Morgan Stanley Emerging Market Fund

Morgan Stanley Japanese Warrant Fund NV

National Investment Trust Company Ltd

Newport International Management

Newport Investment Management Ltd

Nomura Warrant Fund 1990 Ltd

North Star Fund Managers (Cayman) Ltd

Odey Asset Management

Old Invaders International Ltd

Omega Overseas Partners Ltd

Optima Fund Management

Orbis Investment Management Ltd

Orbitex Bahamas Ltd

ORIENT Growth Fd

PFC Internatl Portfolio Fd Mngt Ltd

PRS International

Pacific Growth Fund

Pakistan Fund

Pequot International Fund Inc

Philippine Income Fund Inc

Portuguese Investment Fund Ltd

Putnam International Advisers Ltd

Quantum Group

Real Estate Strategies Ltd

Regent Fund Management Ltd

Republic New York Funds

Rosenwald, Rodlit & Co

Rothschild Asset Management (CI)

Royal Trust Intl Money Market Fund

Sabre Futures Fund

Sabre Republic Holding

Schroder Investment Management Ltd

Schroder Japanese Warrant Fund

Schroders Asia Limited

Schroders Australia Ltd

Schroder (Switzerland) Fund

Schroder Bermuda Funds

Scudder, Stevens & Clark Inc

Segesper Securities (Bermuda) Ltd

Shiozumi Investment Mngmt (Bermuda) Ltd

Smith Barney Shearson Inc

Soditic Asset Management Inc

Carl Spaengler KAG

State Street Banque SA

Tabasco Fund Managers Limited

Taipei Fund

Taiwan Tracker Fund Limited

Templeton Galbraith & Hansberger Ltd

The Thai Development Capital Fd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Growth Fund

The Thailand Intl Fund Ltd

Thames Currency Funds

Thornton Investment Management Ltd

Trans Global Investments Limited

Tyndall International (Bermuda) Ltd

Ultra Futures Fund Ltd

Ultra Hedge Fund Ltd

Ultra Sector Fund Ltd

Ultra Value Fund Ltd

Valu-Trac Investment Management Ltd

The Vietnam Fund Limited

Vigilant Fund Company Ltd

Wardley Investment Services Ltd

Wellington Fd Mngrs (Bermuda) Ltd

Wells Fargo U.S. IT Fund

Worldwide Limited

Xiphias International Investment Fd Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Focus on Tokyo

AFTER last week's bout of European rate cuts, the markets will shift their focus to Tokyo, where the leaders of the seven largest industrialised nations meet to discuss Gatt and the prospects for boosting world growth, *writes Rachel Johnson*.

Currency co-operation, however, is to be off the agenda, as the G7 has committed itself to seek – yet again at its annual economic summit – to salvage the seven-year attempt to reach a breakthrough in world trade talks.

UK clearing bank base lending rate 6 per cent from January 26 1993

While a Gatt agreement would clearly be the best boost to world growth and employment to which the leaders could aspire, hopes for an agreement have faded, along with the political popularity of the main players in the UK, France, Germany and the US. In addition to the recessionary conditions in the G7 countries, the political vacuum in Japan is also regarded as an obstacle to a summit success.

Attention will still be paid to the week's regular economic figures.In the UK, an inquest on the economy will be opened today, as the Treasury's independent forecasters release their second report; and the credit business data are set to show a slight slowdown in the rate of bank lending, in spite of a rise in the annual growth rate of both M0 and M4 in May and June.

Elsewhere, the Bundesbank's activities will provide a focus for speculation about how much which other European Exchange Rate Mechanism countries can cut their rates even when Germany holds back.

Last Friday, France cut its intervention rate by 0.25 of a point to 6.75 per cent; traders figure that since the Bundesbank cut by ½ point to 6.75 per cent, France could manage another ¼ point reduction. Hopes for an early cut in UK interest rates, however, remain elusive.

£ IN NEW YORK

Jul 2	Close	Previous Close
£ Spot	1.5070-1.5080	1.5150 1.5160
1 month	0.36-0.35pm	0.38 0.35pm
3 months	1.00-0.98pm	0.97 0.95pm
12 months	3.08-3.00pm	2.90 2.80pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jul 2	Previous
8.30 am	81.3	80.8
9.00 am	81.2	80.5
10.00 am	81.2	80.5
11.00 am	81.3	80.5
Noon	81.2	80.7
1.00 pm	81.2	80.7
2.00 pm	81.4	80.8
3.00 pm	81.3	80.9
4.00 pm	81.1	80.9

CURRENCY MOVEMENTS

Jul 2	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	81.1	-28.47
U.S Dollar	65.5	-12.20
Canadian Dollar	93.6	-8.58
Austrian Schilling	112.9	+15.01
Belgian Franc	114.1	+0.51
Danish Krone	115.7	+10.02
D-Mark	121.8	+29.20
Swiss Franc	111.0	+19.68
Dutch Guilder	117.3	+19.55
French Franc	107.6	-8.11
Lira	82.1	-32.80
Yen	179.0	+121.77
Peseta	90.2	-31.17

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Jul 1

OTHER CURRENCIES

Jul 2	£	$
Argentina	1.5035 - 1.5045	0.9980 - 0.9990
Australia	2.2560 - 2.2580	1.4950 - 1.4960
Brazil	84907.8 - 84909.4	56361.0 - 56362.0
Finland	8.5830 - 8.6140	5.6850 - 5.6850
Greece	346.080 - 353.080	228.590 - 233.210
Hong Kong	11.6885 - 11.6840	7.7445 - 7.7465
Iran	2474.00 - 2476.00	1622.00 - 1624.00
Korea(Sth)	1206.55 - 1226.05	799.90 - 806.30
Kuwait	0.45550 - 0.45650	0.30150 - 0.30200
Luxembourg	52.50 - 52.60	34.80 - 34.90
Malaysia	3.8815 - 3.8815	2.5735 - 2.5745
Mexico	4.7065 - 4.7095	3.1240 - 3.1260
N.Zealand	2.7725 - 2.7755	1.8405 - 1.8425
Saudi Ar	5.6545 - 5.6565	3.7495 - 3.7505
Singapore	2.4485 - 2.4545	1.6225 - 1.6235
S.Af (Cm)	5.0115 - 5.0300	3.3220 - 3.3270
S.Af (Fn)	6.9450 - 6.9600	4.6700 - 4.6200
Taiwan	39.70 - 39.85	26.35 - 26.45
U.A.E.	5.5365 - 5.5495	3.6715 - 3.6735

CURRENCY RATES

Jul 2	Bank ♣ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.931740	0.765195
U.S Dollar	3.00	1.38146	1.15774
Canadian $	4.79	N/A	1.48233
Austrian Sch	6.25	16.7741	13.7945
Belgian Franc	6.00	48.9446	40.3009
Danish Krone	7.25	9.15720	7.54905
D-Mark	6.75	2.38107	1.95982
Dutch Guilder	6.00	2.65868	2.20110
French Franc	10	7.99185	6.63691
Italian Lira	10.00	2148.79	1783.61
Japanese Yen	2.50	150.278	124.747
Norway Krone	-	10.0721	8.30331
Spanish Peseta	-	181.126	149.777
Swedish Krona	11.50	N/A	8.90765
Swiss Franc	4.50	2.11641	1.74587
Greek Drach	19	N/A	267.322
Irish Punt	-	N/A	0.804789

♣ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jul 1

CHICAGO

POUND SPOT - FORWARD AGAINST THE POUND

Jul 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5055 - 1.5240	1.5070 - 1.5080	0.37-0.35cpm	2.87	1.02-0.98pm	2.67
Canada	1.9400 - 1.9610	1.9440 - 1.9450	0.28-0.21cpm	1.51	0.70-0.58pm	1.32
Netherlands	2.8620 - 2.8865	2.8650 - 2.8750	⅛-⅜cdis	-1.05	⅜-¾dis	-0.78
Belgium	52.45 - 53.30	52.50 - 52.60	2-6cdis	-0.91	6-11dis	-0.65
Denmark	9.8350 - 9.8920	9.8350 - 9.8450	1⅝-2⅝oredis	-2.44	4¼-5⅝dis	-2.01
Ireland	1.0485 - 1.0580	1.0500 - 1.0510	0.03-0.08cdis	-0.51	0.05-0.10dis	-0.29
Germany	2.5490 - 2.5690	2.5550 - 2.5600	⅜-½pfdis	-2.05	1-1¼dis	-1.88
Portugal	243.55 - 245.65	244.00 - 245.00	116-127cdis	-5.98	321-350dis	-5.49
Spain	195.10 - 196.35	195.30 - 195.50	84-99cdis	-5.62	229-258dis	-4.97
Italy	2320.70 - 2338.30	2324.50 - 2325.50	7-9liredis	-4.13	21-24dis	-3.87
Norway	10.8240 - 10.9010	10.8300 - 10.8400	par-1oredis	-0.55	⅛-1¼dis	-0.25
France	8.6320 - 8.6870	8.6475 - 8.6575	1-1⅛cdis	-1.65	2⅛-2⅜dis	-1.13
Sweden	11.5730 - 11.6840	11.6375 - 11.6475	2¼-3¼oredis	-2.83	6⅛-7½dis	-2.34
Japan	162.30 - 164.35	163.25 - 164.25	½-⅜ypm	3.21	1⅛-1pm	2.60
Austria	17.96 - 18.09	18.00 - 18.03	¼-1⅞grodis	-0.87	1¼-3¾dis	-0.61
Switzerland	2.2690 - 2.2885	2.2700 - 2.2800	⅛-parcpm	0.88	⅝-⅛pm	0.88
Ecu	1.3060 - 1.3135	1.3070 - 1.3080	0.17-0.21cdis	-1.74	0.42-0.48dis	-1.38

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.83-1.78pm . 12 Month 3.15-3.05pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5055 - 1.5240	1.5070 - 1.5080	0.37-0.35cpm	2.87	1.02-0.98pm	2.67
Ireland†	1.4305 - 1.4480	1.4370 - 1.4380	0.43-0.40cpm	3.46	1.13-1.08pm	3.07
Canada	1.2860 - 1.2895	1.2875 - 1.2885	0.13-0.15cdis	-1.30	0.41-0.46dis	-1.35
Netherlands	1.8890 - 1.9110	1.9035 - 1.9045	0.58-0.61cdis	-3.75	1.58-1.64dis	-3.38
Belgium	34.70 - 34.95	34.80 - 34.90	10.20-12.20cdis	-3.86	27.00-31.00dis	-3.33
Denmark	6.4910 - 6.5485	6.5250 - 6.5300	2.50-3.00oredis	-5.06	7.00-8.00dis	-4.60
Germany	1.6810 - 1.7015	1.6955 - 1.6965	0.65-0.66pfdis	-4.63	1.80-1.82dis	-4.27
Portugal	161.35 - 162.00	161.85 - 161.95	114-119cdis	-8.63	322-337dis	-8.14
Spain	128.85 - 130.10	129.40 - 129.50	92-93dis	-8.57	250-253dis	-7.77
Italy	1530.00 - 1545.50	1542.00 - 1542.50	8.60-8.70liredis	-6.73	24.40-24.60dis	-6.35
Norway	7.1290 - 7.2100	7.1850 - 7.1900	1.70-2.25oredis	-3.30	4.70-5.50dis	-2.84
France	5.6925 - 5.7510	5.7375 - 5.7425	2.10-2.18cdis	-4.47	5.45-5.60dis	-3.86
Sweden	7.6375 - 7.7505	7.7200 - 7.7250	3.30-3.90oredis	-5.59	9.30-10.30dis	-5.08
Japan	106.90 - 108.80	108.70 - 108.80	0.01dis-0.01ypm	-	0.02-0.01pm	0.06
Austria	11.8890 - 11.9220	11.9040 - 11.9090	3.50-3.80grodis	-3.68	9.45-10.30dis	-3.32
Switzerland	1.4945 - 1.5140	1.5090 - 1.5100	0.22-0.25cdis	-1.87	0.61-0.67dis	-1.70
Ecu†	1.1495 - 1.1615	1.1545 - 1.1565	0.45-0.44cpm	4.62	1.17-1.15pm	4.02

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Jul 2	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.508	2.558	163.8	8.653	2.275	2.870	2325	1.945	52.55	195.4	1.308
$	0.663	1	1.696	108.6	5.738	1.509	1.903	1542	1.290	34.85	129.6	0.867
DM	0.391	0.590	1	64.03	3.383	0.889	1.122	908.9	0.760	20.54	76.39	0.511
YEN	6.105	9.208	15.62	1000.	52.83	13.89	17.52	14194	11.87	320.8	1193	7.985
F Fr.	1.156	1.743	2.956	189.3	10.	2.629	3.317	2687	2.248	60.73	225.8	1.512
S Fr.	0.440	0.663	1.124	72.00	3.804	1	1.262	1022	0.855	23.10	85.89	0.575
N Fl.	0.348	0.525	0.891	57.07	3.015	0.793	1	810.1	0.678	18.31	68.08	0.456
Lira	0.430	0.649	1.100	70.45	3.722	0.978	1.234	1000.	0.837	22.60	84.04	0.563
C $	0.514	0.775	1.315	84.22	4.449	1.170	1.476	1195	1	27.02	100.5	0.672
B Fr.	1.903	2.870	4.868	311.7	16.47	4.329	5.461	4424	3.701	100.	371.8	2.489
Pta	0.512	0.772	1.309	83.83	4.428	1.164	1.469	1190	0.995	26.89	100.	0.669
Ecu	0.765	1.153	1.956	125.2	6.615	1.739	2.194	1778	1.487	40.18	149.4	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

Jul 2	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	6⅛ - 5⅞	6⅛ - 6	5 13/16 - 5 11/16	5 13/16 - 5 11/16	5⅞ - 5¾	5⅞ - 5¾
US Dollar	3 3/16 - 2 15/16	3 5/16 - 3 3/16	3⅛ - 3	3¼ - 3⅛	3 7/16 - 3 5/16	3 13/16 - 3 11/16
Can. Dollar	4⅝ - 4⅛	4⅝ - 4⅛	4 7/16 - 4 5/16	4⅝ - 4½	4⅞ - 4⅝	5⅜ - 5¼
Dutch Guilder	7 - 6⅞	6 13/16 - 6 11/16	6 13/16 - 6 11/16	6 9/16 - 6 7/16	6 5/16 - 6 3/16	6 1/16 - 5 15/16
Swiss Franc	5⅛ - 4⅞	5⅛ - 4⅞	4 15/16 - 4 13/16	4⅞ - 4¾	4¾ - 4⅝	4 9/16 - 4 7/16
D-Mark	7 13/16 - 7 11/16	7¾ - 7⅝	7⅝ - 7½	7 5/16 - 7 3/16	7 1/16 - 7 1/16	6⅝ - 6½
French Franc	7 5/16 - 7 3/16	7 5/16 - 7 3/16	7 5/16 - 7 3/16	7⅛ - 7	6 15/16 - 6 13/16	6 9/16 - 6 7/16
Italian Lira	11 - 9¾	10¼ - 10	9⅞ - 9½	9⅝ - 9¼	9½ - 9⅛	9⅜ - 9⅛
Belgian Franc	7 7/16 - 7 5/16	7 7/16 - 7 5/16	7 - 6⅞	6¾ - 6⅝	6½ - 6⅜	6¼ - 6⅛
Yen	3¼ - 3 3/16	3¼ - 3 3/16	3¼ - 3 3/16	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3¼ - 3 3/16
Danish Krone	8 - 7½	8 - 7½	8 - 7½	7⅞ - 7⅜	7⅝ - 7⅛	7¼ - 6¾
Asian $Sing	3¼ - 2¾	3¼ - 2¾	3½ - 2½	3½ - 2½	3½ - 2½	3¾ - 2¾
Spanish Peseta	11½ - 11¼	11⅝ - 11⅜	11 7/16 - 11 3/16	10⅝ - 10 7/16	10 5/16 - 10 1/16	9⅞ - 9⅝
Portuguese Esc.	12 - 11½	12 - 11½	11⅝ - 11⅛	11¾ - 11¼	11½ - 11	11¼ - 10¾

Long term Eurodollars: two years 4¼-4⅛ per cent; three years 4 13/16-4 11/16 per cent; four years 5 5/16-4 15/16 per cent; five years 5 11/16-5 9/16 per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jul 2)	3 months US dollars	6 months US Dollars	
bid 3 3/16	offer 3 5/16	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6	One month	3.15	Three year	4.25
Broker loan rate	5	Two month	3.00	Five year	4.98
Fed.funds	3⅛	Three month	3.01	Seven year	5.38
Fed.funds at intervention	2 15/16	Six month	3.15	10-year	5.75
		One year	3.32	30-year	6.67
		Two year	3.93		

Jul 2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.50-7.65	7.45-7.60	7.35-7.50	7.30-7.45	6.95-7.10	8.25
Paris	7 5/16-7 7/16	7.31-7.43	-	6.88-7.00	-	6.75
Zurich	-	4⅞-5	-	4¾-4⅞	-	-
Amsterdam	7.00-7.12	6.98-7.03	-	6.80-6.88	-	-
Tokyo	3 3/16-3¼	3 3/16-3 5/16		-	-	-
Milan	9 13/16-10⅝	9⅝-9¾	-	9 5/16-9 11/16	-	-
Brussels	6 13/16-7 1/16	6¾-6⅞		6½-6⅝	-	-
Dublin	6¾-6⅞	6 7/16-6 11/16	6 7/16-6 9/16	6 5/16-6 7/16	6-6⅛	-

LONDON MONEY RATES

Jul 2	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	7	6¼	6	5 13/16	5⅞	5⅞
Interbank Bid	3	5⅛	5¾	5¾	5⅝	5⅝
Sterling CDs	-	-	5 13/16	5 13/16	5 13/16	5 13/16
Local Authority Deps.	5⅞	5⅞	5¾	5¾	5¾	5¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6¾	6	-	-	-	-

LONDON RECENT ISSUES

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	NatWestminster	6
Allied Trust Bank	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	6.5
AIB Bank	6	Equatorial Bank plc	6	●Rea Brothers	6
●Henry Ansbacher	6	Exeter Bank Limited	7	Roxburghe Bank Ltd	8
B & C Merchant Bank	13	Financial & Gen Bank	7	Royal Bk of Scotland	6
Bank of Baroda	6	●Robert Fleming & Co	6	●Smith & Williamson Secs	6
Banco Bilbao Vizcaya	6	Girobank	6	Standard Chartered	6
Bank of Cyprus	6	●Guinness Mahon	6	TSB	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Unibank plc	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6	Mount Banking	6		

● Members of British Merchant Banking & Securities Houses Association

STOCK INDICES

	July 2	July 1	June 30	June 29	June 28	June 25	1993 High	1993 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2857.7	2888.8	2900.0	2886.0	2897.0	2887.5	2957.3	2737.6	2957.3	986.9
FT-SE Mid 250	3234.8	3241.7	3235.7	3229.1	3223.9	3213.1	3241.7	2876.3	3241.7	1379.4
FT-SE-A 350	1430.2	1442.9	1446.6	1440.6	1444.3	1439.5	1457.1	1348.7	1457.1	664.5
FT-A All-Share	1416.83	1428.93	1432.31	1426.77	1430.17	1425.65	1438.22	1086.13	1438.22	61.92
FT-SE Eurotrack 100	1201.31	1213.21	1208.99	1207.97	1210.15	1202.12	1213.21	1063.02	1213.21	900.45
FT-SE Eurotrack 200	1259.19	1270.98	1266.14	1263.58	1265.02	1254.67	1270.98	1144.79	1270.98	938.62
FT Ordinary	2237.9	2262.0	2270.9	2263.0	2268.3	2264.5	2299.5	2124.7	2299.5	49.4
FT Government Secs.	97.39	97.43	97.22	97.13	97.20	96.88	98.04	93.28	127.40	49.18
FT Fixed Interest	115.48	115.42	115.24	115.14	114.83	114.60	115.48	108.67	115.48	50.53
FT Gold Mines	228.9	209.4	208.8	201.9	205.7	195.5	228.9	60.0	734.7	43.5

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES- Gross: Contractual rate of interest payable not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate' Int Cr: Frequency at which interest is credited to the account.

AMERICANS

	Notes	Price £	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		16⅛xd	-3.7	68c	FeMyAuNv	13.4	1603
Allegheny & W	♥	612p	-3.6	30c	-	-	-
Amdahl		358p	0.6	5c	NvFeJaAu	31.1	-
Amer Cyanamid		35½	0.4	$1.85	MrJeSeDe	4.3	-
Amer Express		20⅝xd	-.9	$1.00	FeMyAuNv	30.3	1594
Amer T & T		41¼xd	-1.5	$1.32	FeMyAuNv	25.6	1597
Ameritech		53¼	-.4	$3.88	FeMyAuNv	28.3	-
BankAmerica		30⅛xd	0.4	$1.40	MrJeSeDe	18.6	1744
Bankers NY		49⅝xd	3.8	$3.12	ApJyOcJa	24.12	1745
Bell Atlantic		39½	1.0	$2.68	FeMyAuNv	4.7	-
BellSouth		36¼	-.8	$2.76	FeMyAuNv	5.4	-
Bethlehem Steel	♥	12⅞xd	-2.0	-	MrJeSeDe	6.2	1821
Bowater		1300pxd	-2.2	60c	OcJaApJy	9.3	1884
CPC		27xd	-2.9	$1.28	JaApJyOc	26.6	2263
California Engy		1432p	5.4	-	-	-	-
Chase Manhattan		21½xd	2.1	$1.20	FeMyAuNv	27.4	2109
Chrysler		30⅝xd	-.4	60c	ApJyOcJa	15.6	2135
Citicorp		20⅛xd	0.9	-	-	23.10	2141
Colgate-Palm		38⅛xd	0.5	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		1982p	-.4	80c	DeMrJeSe	31.5	-
Dana		35⅞xd	-.5	$1.60	MrJeSeDe	26.8	2306
Data General		660p	5.4	-	-	-	-
Decora Inds	♥	136p	---	-	†	-	-
Dun & Brad		29⅛	0.5	$2.44	MrJeSeDe	13.2	-
Eaton	h	29¼xc	-3.6	$1.10	FeMyAuNv	2.2	2410
Schlm		18⅝xd	0.7	78c	JaApJyOc	30.6	3048
FPL		25¼xd	-1.2	$2.48	MrJeSeDe	25.5	-
Ford Motor		33⅞xd	-1.8	$1.60	MrJeSeDe	27.4	2615
Gen Elect		62¾xd	-2.8	$2.52	JaApJyOc	3.8	2675
General Host	♥	613p	-8.7	34c	†	13.12	-
Gillette		36⅛xd	7.0	84c	MrJeSeDe	28.4	2695
Hasbro		20⅞	---	24c	FeApJyNv	1.8	-
Honeywell		24⅝xd	-.5	88c	MrJeSeDe	25.5	2819
Houston Inds		29	-.8	$3.00	MrJeSeDe	10.11	-
Ingersoll-Rand		22⅞xd	-4.2	70c	MrJeSeDe	14.5	2979
Lockheed		43⅞	-1.7	$2.12	MrJeSeDe	15.2	-
Lowe's	h	2804p	5.1	28c	JaApJyOc	11.7	-
Maivy Technology		161½p	-20.4	-	-	-	-
Merrill Lynch		53½xd	3.1	$1.20	FeMyAuNv	30.4	3351
Morgan (JP)		46⅞xd	2.0	$2.40	JaApJyOc	18.8	3418
Morris (Philip)		32xd	-3.0	$2.60	JaApJyOc	10.8	5161
NYNEX		60⅛	-.2	$4.64	FeMyAuNv	27.8	4740
Pall		11¾xd	3.3	32c	FeMyAuNv	24.1	-
Pennzoil		47¼xd	-4.1	$3.00	MrJeSeDe	25.5	3630
Quaker Oats		49⅞xd	1.8	$1.92	JyOcJaAp	22.6	3738
Quester		218p	-4.9	-	-	-	2416
Rockwell		27½xd	-5.8	$1.00	MrJeSeDe	12.5	3847
Rep NY		33⅛xd	2.6	$1.08	JaApJySe	10.5	3814
Sears, Roebuck		36⅞xd	1.4	$1.60	JaApJyOc	25.5	5191
Sthwestern Bell	h	25⅛	1.5	$1.51	MyAuNvFe	4.7	-
Sun Co		18⅛xd	1.8	$1.80	MrJeSeDe	5.5	4135
Tenneco		33⅞xd	-1.0	$1.60	MrJeSeDe	20.5	-
Texaco		42⅛xd	-1.6	$3.20	MrJeSeDe	4.5	4200
Time Warner	h	25⅞xd	-2.7	28c	MrJeSeDe	27.5	4294
Unilab	♥	408p	---	-	†	-	-
US West		30½	---	$2.14	FbMyAuNv	14.4	-
Varity		1987p	-11.9	-	-	11.77	-
WMX Technologies		20⅞xd	-5.4	60c	ApJyOcJa	11.6	4439
Whirlpool		3785pxd	5.3	$1.22	MrJeSeDe	4.3	-
Woolworth	♥	18	-3.4	$1.12	MrJeSeDe	28.1	4540

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

TELEPHONE NETWORKS

MINES - Cont.

METALS & METAL FORMING

TEXTILES

PROPERTY

MISCELLANEOUS

INVESTMENT COMPANIES

OTHER FINANCIAL

TRANSPORT

MEDIA

WATER

OTHER INDUSTRIALS

SOUTH AFRICANS

MOTORS

STORES

PLANTATIONS

MINES

PACKAGING, PAPER & PRINTING

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Sungard Data (Elctncs), Drew Scientific and Zeneca (Hlth & Hsehold), China Inv Ord and Wts. (Inv Trust), Goodwin (Mtls & Mtl Frmg), OGC (Oils), Bruntcliffe Aggrts. (Other Indls), NMC 7¾pc Pf and RPC (Pckg & Papers) and Asda Prop 5½pc Pf (Props). Deletions: Platon Int'l (Eng General), Martin Currie Pac Wts (Inv Trust), Savage (Miscl), Aberdeen Petrlm (Oils), Brown Shipley (Other Fincl) and Gabicci (Texts).

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An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close July 2

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	25	50	13⅝	13½	13½	-¼
29⅜	20	A L Labs A	0.18	0.7	47	321	27½	27	27⅛	-¼
63⅞	54⅝	AMP Inc	1.60	2.6	21	877	61⅜	60¾	61⅛	-⅛
72¾	55½	AMR			9	5027	64	62⅝	63¼	+⅜
2¾	1⅝	ARX			14	58	u2⅝	2⅝	2¾	
61½	29⅞	ASA	2.00	4.1	32	1818	49⅝	48⅞	49⅜	
30¾	22⅝	Abbott Lab	0.68	2.7	16	14240	25⅝	24¾	25¼	-¼
12⅝	10¼	Abitibi Pr	0.50	4.8	4	22	10½	10⅜	10⅜	-¼
14⅛	8¼	Acptocain			210	34	12¾	12⅝	12⅝	-⅛
32	25½	ACE Ltd	0.40	1.4		150	29½	29¼	29½	
11¾	10¾	ACM Gvt In	0.98	8.3		695	u11¾	11⅝	11⅝	
10	9⅛	ACM GvOpp	0.72	7.3		193	9⅞	9¾	9⅞	+⅛
9⅝	8¾	ACM Gvt Sp x	0.80	8.4		194	9½	9¼	9½	+⅛
11⅞	10½	ACM Gvt Sa x	0.96	8.6		294	11⅛	11	11⅛	
11⅛	9⅝	ACM Man	1.08	9.7		309	u11⅛	11	11⅛	
9⅞	8⅝	ACM Managd	0.72	7.9		97	9¼	9⅛	9⅛	-⅛
12⅛	7¾	Acme Cleve	0.40	3.5	14	189	12	11½	11½	-½
9¼	6½	Acme Elect			262	28	8	7⅞	7⅞	-¼
24¾	18⅝	Acordia	0.44	2.0	13	291	22¼	21⅞	22⅛	+⅛
16	10⅜	Acuson			13	709	12	11¾	11⅞	+⅛
22¼	19⅝	Adams Expr	0.48	2.3	1	99	20½	20⅜	20½	+⅛
66	45½	Ad Micro	3.00	5.6		102	53¾	53½	53⅝	-⅜
32¾	17⅝	Ad Micro P	3.00	12.6	10	8104	24⅛	23⅝	23⅞	-¼
7¾	6½	Advest Grp	0.16	2.8	9	58	5¾	5⅝	5⅝	-⅛
24¾	18	Adva Inc	0.08	0.4	19	796	19⅛	18¾	18¾	-⅝
49⅜	41⅛	Aegon ADR	2.95	6.7	8	208	44⅛	44	44⅛	-¼
56	43⅝	Aetna Lf	2.76	5.0	140	1071	55	54¾	54¾	-⅜
14½	11½	Affil A	0.28	1.9	32	2080	14	13⅞	13⅞	
32¼	26½	Aflac	0.40	1.4	16	649	29	28⅞	29	

Continued on next page

4 pm close July 2

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22	15½	S Anita Rt x	1.38	7.4	18	55	18⅜	18	18⅜	+.99
20¾	16⅛	SCOR US Cp	0.32	1.9	207	134	16⅝	16½	16⅝	
28	20	SPS Techno	1.28	4.7	19	4	27	27	27	
14½	12⅞	Sabine Rt	1.04	7.9	9	187	13⅛	13⅛	13⅛	+¼
13¾	8⅞	Safecard	0.20	1.5	12	853	13¼	13	13⅛	
29½	16⅞	Safeg'd Sc			8	54	17⅝	17¼	17⅝	
24¾	16¼	SafetyKln	0.36	2.1	24	730	17⅝	17⅜	17⅜	+⅛
18½	10⅞	Safeway			25	810	15⅞	15⅝	15¾	-⅛
3⅝	2	SafewayW96				82	3⅜	3¼	3¼	-⅛
44½	37½	StJoePaper	0.20	0.5	84	58	39⅝	39⅜	39⅝	+⅜
37⅞	31	StJoeL&P	1.76	5.0	14	5	35⅛	34⅞	35⅛	
83¾	75	St Paul's x	2.80	3.5	12	778	81¼	80	80⅝	
10¾	7⅞	Salant Crp			8	210	u10¾	10¼	10¼	-½
75¼	39⅞	Sallie Mae	1.20	2.9	9	5225	42	41¼	41½	-¼
13⅞	13	Salomon Br	0.36	2.7		302	13½	13⅜	13⅜	
41⅞	34	Salomonlnc	0.64	1.7	19	1572	38⅝	38⅜	38⅜	-⅛
26⅞	23¼	SanDgo G&E	1.48	5.7	14	144	26	25¾	25⅞	-⅛
4⅜	3½	SantaFeEDu	0.40	10.0	200	9	4	4	4	+⅛
11⅞	9⅛	SantaFeEls	0.16	1.6	876	888	10¼	9¾	9¾	-½
40¾	35¾	SantaFePac	2.80	7.2	13	72	39	38⅞	38	+¼
18⅞	12¾	SantaFeStn	0.10	0.6	20	9302	u18⅞	17⅝	17¾	-¼
31⅛	23⅞	Sara Lee	0.58	2.4	17	6485	24½	24	24¼	-⅛
49⅞	40⅛	Scana Corp	2.74	5.7	16	156	47¾	47⅝	47¾	
[illegible]										

- T - - U - - V - - W - - X - Y - Z -

[illegible]

AMEX COMPOSITE PRICES

4 pm close July 2

[illegible]

NASDAQ NATIONAL MARKET

4 pm close July 2

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

[illegible]

MONDAY INTERVIEW

Tycoon who's not in the red

Sally Aw Sian, chairman of Hong Kong media group Sing Tao, talks to **Simon Holberton**

One of the claims William Shawcross makes for Mr Rupert Murdoch in his recent biography of the media tycoon is that Mr Murdoch was the first to see, and exploit, the potential of the extra-terrestrial satellite for global media operations.

Mr Murdoch has his difficulties in Hong Kong, where he is attempting to acquire control of Television Broadcasts, Hong Kong's top local television station. And, although it is probably true that he was the first *English* language media proprietor to use satellite technology, the accolade "first" is more appropriately applied to a tough-minded woman in Hong Kong.

Since the late 1960s she has been in international newspaper publishing and, in 1978, her company was the first to transmit made-up newspaper pages to printing plants in North America, Europe, and Australasia via satellite. The language was Chinese and the title of the newspaper Sing Tao.

Miss Sally Aw Sian, 62, then as now, chairman of Sing Tao, one of Hong Kong's leading listed media groups, is not, however, a person to crow about her achievements. "Yes, we were the first to use satellites," she says; and that is that.

Miss Aw's venture into the world of transnational publishing was inspired by an encounter while on holiday in San Francisco in 1968. She was asked on the streets of the city's Chinatown for news from Hong Kong and China. The question became the germ of an idea: "I thought it would be a good idea to start a paper . . . I was sure that, if we could publish a paper in San Francisco, there would be a lot of people interested in buying it," she says. Bringing the project to fruition was made easier through her friendships with the owner of a local grocery chain, who offered to display any paper she chose to produce, and a publisher with the capacity to print a newspaper.

Initially, the paper was produced in Hong Kong and flongs – made-up stencils ready for printing – were air freighted to San Francisco. This continued until 1978, when she moved to satellite transmission. Today Miss Aw's newspaper is published in nine cities – – six in north America, plus London, Sydney and Wellington.

Global circulation is 160,000 a day and, in some centres, notably Toronto, on a good day the paper can run to 70 broadsheet pages. She has also tailored the content of the newspapers to suit local market conditions and reader interest. Advertising is local, as is some news. Reports about Hong Kong and China are transmitted daily from Sing Tao's headquarters in Hong Kong.

"We made money only after a few years and today it is a profitable paper," she says. In 1992, the entire Sing Tao group made a net profit of HK$119.5m (£10.4m).

For the scatterlings of the Chinese diaspora who want to read daily news in Chinese, the choice is limited to the overseas edition of the People's Daily, the Chinese Communist party's main mouthpiece, an assortment of Taiwan-funded newspapers, and her own. It is little wonder, then, that when Miss Aw made her first visit to China last November and met Mr Jiang Zemin, general secretary of the Chinese Communist party, he was most interested in her overseas publishing.

The Chinese government cares passionately about what the overseas Chinese think. It puts a lot of effort in to winning their hearts and minds and in to encouraging them to return to China to invest. So did she not think, last November, that she was merely being courted by the Chinese leadership for her support?

"Well, of course," she says. "That it is the main point. Otherwise, why should they welcome me?"

Miss Aw thought she would never go to China. The mainland government had denounced her late father, Aw Boon Haw – inventor of Tiger Balm ointment and owner of several newspapers, mainly in Singapore and southern China, before the 1949 revolution – for his support of the Kuomingtang, the Communists' rivals for political legitimacy on the mainland. His newspapers supported the Kuomingtang and so had Miss Aw's.

Then, two years ago, he was "rehabilitated" and the mainland government redefined him as "patriotic". It also offered to return to Miss Aw all the property it had confiscated in 1949 from her father, who was one of the wealthiest overseas Chinese entrepreneurs of that time. This included prime holdings in Guangzhou, Shantou, Xiamen and Fuzhou – among south China's fastest-growing cities – plus a half-completed mansion which her father had started building in the family's ancestral village of Zhongchuan, in Fujian.

'I don't think China can return to the past'

Her father's rehabilitation and the return of his property set the scene for Miss Aw's visit to Beijing last autumn. The government housed her in the Diaoyutai state guest house, usually reserved for important foreign visitors. In a rare honour, she met both Mr Jiang Zemin and Mr Li Peng, China's prime minister. Significantly, the meetings were publicised on national television.

Her visit was designed not only for reconciliation but also for deal-making. While in Beijing, she signed a HK$3m 50-50 joint venture agreement with the People's Daily to publish jointly a colour magazine, the Singguang Monthly. Miss Aw says both parties will share editorial control. It will publish economic and social articles on China and Chinese communities abroad. Given the involvement of the People's Daily, it is unlikely the editorial content will challenge Communist party orthodoxies.

Her meetings with top government leaders amounted to an "official blessing" for the venture. She is clearly keen on more, and to boost Sing Tao's media assets on the mainland, an enormous market hungry for information.

One of her subsidiaries, Jademan, owner ofthe Tin Tin Daily, one of Hong Kong's top three Chinese language newspapers, has just launched the Nanhwa Jinji Ribao, or South China Economic Daily. It will focus on business in China and the country's economic development. Initially, it will sell in Hong Kong and south-east Asia. But, says Miss Aw: "When the opportunity arises, we hope we can sell it in China – when, that is, it is acceptable to them."

So far, she has committed about HK$250m to business ventures on the mainland, which underlines her confidence in China's future.

Echoing sentiments often heard in Hong Kong and on the mainland, she observes about China's economic reforms: "They are heading in the right direction as long as they don't go too fast. Russia had political change before economic change – that's why they have such problems. China has done it the other way around.

"I don't think they will, or can, return to the past," she adds.

With the pragmatism typical of the Hong Kong Chinese business community, she adds: "The government is changing and they realise that they have to change their economic thinking. I think there is a great future in China, and I have every confidence that we can do business there, especially now that a lot of western people are going to China to do business."

For Miss Aw, her return to China also meant a chance to finish business left incomplete in 1949. Before the Communists assumed power in that year, her father had donated enough money to the Kuomingtang government to build 100 schools and 100 hospitals. "The money was given, but nothing came of it because of the civil war," she says.

She plans to incorporate a foundation in China into which she will place all property assets the Communist government has returned to her. The foundation will fund projects in the arts, education and medicine. For her ancestral village, she plans to complete the mansion her father started before 1949 and turn it over for use as a cultural centre.

Why? "Well, because my father was a staunch Chinese and very supportive of China. He felt that, if he earned money from business in China, he might as well do things to benefit the Chinese people. Now I will just have to do what I can with the money we have."

PERSONAL FILE

1931 Born in Rangoon, Burma.
1952 Joined Sing Tao.
1957 *Chairman of Sing Tao.*
1969 *Published overseas edition of Sing Tao in San Francisco.*
1978 *Transmits Sing Tao newspaper via satellite to offshore printing sites.*
1992 Signed deal with the People's Daily.
1993 Launched South China Economic Daily.

Dreaming of a perfect summit

MICHAEL PROWSE
on
AMERICA

"Daddy, why are the world's leaders going to Prague for an economic summit?"

"It's a tradition – an excuse for a pleasant vacation. The leaders converge on one of the richest capitals and talk about anything under the sun. *Usually they go to Asia but Prague is now as chic as Beijing.*"

"But why is it called an economic summit? Politicians don't have anything to do with economics – do they?"

"Of course they don't. But when these summits began in the late 1970s – that would be well over half a century ago – governments intervened in nearly all aspects of economic life. They also quarrelled a lot about economic issues. The summits were meant to reduce friction and enhance "global co-operation".

"What did they quarrel about most?"

"Trade. I know this sounds crazy but in those days every country used to impose tariffs (that is, taxes) on imports from trading partners. These were often very high. They also imposed quotas – a specific limit on the volume of goods or share of a market that a competitor could have."

"You mean we would have had to pay extra for our Chinese hover car?"

"Exactly. These restrictions were illogical. Nobody would have dreamed of imposing them on trade between regions of their own country. In their hearts the politicians knew they made everybody poorer but, selfishly, they still put the short-run interests of their own countries first. They were worried that rising imports would create unemployment."

"What is that? I know some people get their incomes topped up out of taxes but unemployment is a contradiction in terms – wages would always fall to whatever level is needed to employ everybody."

"They didn't then because people would not accept that the value of different jobs is always varying. Wages were not allowed to fall because people thought the world 'owed them' a certain living standard."

"What else was discussed at these summits?"

"Fiscal policy was always a contentious issue. By the 1980s economists were agreed that policy lags and the unpredictability of business cycles meant it was useless to try to fine-tune economies by deliberately running budget deficits or surpluses. But politicians (especially Americans) still used to demand that other countries provide a stimulus by loosening fiscal policy. And most countries routinely spent more than they raised in taxes, thus shifting financial burdens onto future generations who didn't have a vote."

"You're joking. That would be unethical. You mean there wasn't a balanced budget law?"

"Your economic history is lousy. You should know that *didn't happen until the early years of this century*. Monetary policy was also a chronic source of friction. At the summits, politicians were always complaining that somebody else's interest rates were too high or too low."

"Now you're really pulling my leg. Governments don't control interest rates. The creation of money, and the management of its purchasing power, is a private-sector function."

"What a parade of ignorance. *In the 20th century national* institutions called central banks enjoyed monopoly rights to print money. A few were nominally independent but most had to obey the politicians who invariably wanted more rather than less of it. That's why there was so much inflation in those years – for your information inflation means a steady rise in the *overall level of prices.*"

"What a strange idea. You mean your income would have to rise every year just to keep pace with prices? But since even in those days most countries had faith in markets, why on earth did they think private agencies were incapable of managing money creation? Why did they think people would be more responsible if they wore public-sector hats?"

"It's a long story. One worry was that, if a private bank was *allowed to produce* its own money, it would overdo it and create terrible inflation. That was a stupid argument, of course, because nobody would want to hold money that loses value. As we have discovered in the last few decades of "free banking", *the market monitors* the purchasing power of different private monies closely. As soon as one shows any signs of *losing its value, it is* threatened with bankruptcy."

"You mean like Greenback Inc that had to be taken over by *that Korean company?*"

"Yes. But compared with the instability of the 20th century, we've had only minor hiccoughs with competing private monies. The price level has barely moved in 30 years. That's hardly surprising; the *scientific challenge* of stabilising the purchasing power of money is not really so great. The tough problem was *persuading governments to surrender* a power they relished."

"Wow, those 20th century guys were dumb."

"They were, *but then they* never really grasped the character of a market system. We see it as a spontaneous self-ordering mechanism *and let it do* virtually everything for us. But they saw it more like a bit of defective physical machinery *with levers that had to be pul*led and pushed. Ironically, the ex-communists provided the impetus for reform. With the *enthusiasm of the religious* convert they pushed for a truly unhampered market system. Once we got over the shock, we *never looked back.*"

Search for the party glue

IAN DAVIDSON
on
EUROPE

The reform of Italy's electoral law, widely regarded as an essential step to the salvaging of the political system, has now passed its first hurdles in the two houses of parliament. Some problems remain; but there is a reasonable probability that Italy is about to move from a voting system which has been wholly based on proportional representation, to one which will be mainly based on first-past-the-post.

The objective of the reformers is to weaken the power of the discredited political parties. In a voting system which is wholly proportional, the voters' options (that is, the lists of candidates) are determined by the parties. They thus control the political system, and become the nexus for a vast network of patronage. The wholesale corruption rampant in Italy is the logical end-product.

Unfortunately, there are at least *two* reasons for doubting whether this reform will be enough to provide a solution to the problem. First, the new law still contains a significant element of proportional representation; three-quarters of the seats will be filled by single-member constituencies, but one-quarter will be filled by PR.

The ostensible reason for this residual hold-over is to protect the little parties, which might be wiped out in first-past-the-post voting. But the most important consequence will be to load the odds critically in favour of the party system as such, and against the candidacies of independent politicians.

Considering that one-sixth of all members of parliament are now under some form of investigation for corruption, it is arguable that political reform depends on a far-reaching clean-out of the old cast of characters, and their replacement by new politicians who are untainted either personally or by association. But the only people who will be penalised by the new law will be independent candidates, since they cannot benefit from the residual PR votes.

But the other reason for scepticism is that modern parliamentary democracy cannot work without organised political parties. The political parties which have dominated the scene since the second world war may be the source of Italy's political crisis; but the logical conclusion is not a parliamentary system which does not depend on political parties (a contradiction in terms), but one where the parties are reformed and uncontaminated.

Believing in the attainability of this second alternative requires optimism on a heroic scale. Who will be the politicians in these utopian parties? Whom will they represent? And what will be their message?

It is questions such as these which are being anxiously addressed by the French Socialists, in the wake of their comprehensive defeat in the March general elections. This weekend they have been holding a large-scale think-in in Lyons; in October they will hold a formal party congress to adopt new party statutes; and some time later they plan to stage a more broadly based debate, with potential allies from other parts of the political spectrum.

They do not yet have answers to the strategic questions listed above. When Michel Rocard first called for a sweeping rethink of the party's future, he admitted that the Socialists had lost both their traditional message and their traditional constituency. He has since publicly confessed that the government he led in 1988-91 signally failed to provide socialist remedies for low growth and high unemployment. But he made no suggestion that he would have better socialist remedies today.

He has implied that the way forward would lie through alliances with ex-Communists, ecologists, centrists. But so far it seems that electoral tactics, the rewriting of the party rule-book, and haggling over the party hierarchy are taking priority over strategy and ideology.

Cynics will jeer that the disarray of the Socialists is merely the inevitable consequence of the disarray of socialism, four years after the fall of the Berlin Wall. There is no doubt a *good deal in this* argument; but it may be the Socialists' problem is just an early and acute form of a systemic dilemma facing most political parties in the closing decade of the 20th century. That dilemma is finding the glue to hold the activists together and attract the voters.

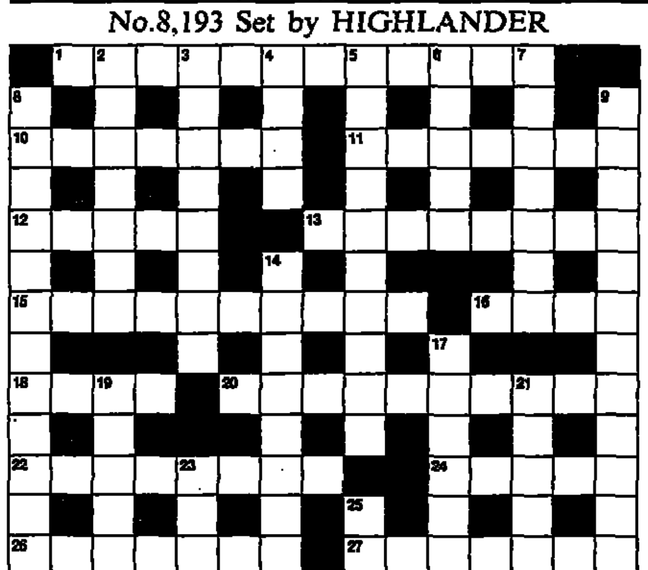
One kind of party is held together by common interests, plus the promise of patronage after the conquest of power: for example, the interests of farmers, or the industrial proletariat. Another kind is based on a shared ideology, like socialism (plus, of course, patronage). Third, there may be a common enemy, like conservative hostility to socialism, or national hostility to foreigners, or regional hostility to the centre (plus patronage). Fourth, there is pure patronage as the only glue; that may describe the present rationale of most Italian national parties. Fifth, there is the presidential system, where the party's main organising principle is to support a charismatic leader (plus patronage); this is characteristic of the US.

The problem for parliamentary democracy today is that the first two types of glue have progressively disintegrated: complex societies do not have large and homogeneous common-interest groups, and no-one is turned on by ideology. Pure clientelism can work for a while, as in Japan and Italy; but time and excess cause it to explode. As a result, countries without a presidential system, may by default find themselves driven into the politics of enmity.

Mr Rocard wants to reinvent socialism; but the real fault-line *in European politics may* lie between the regionalists, the nationalists and the internationalists.

CROSSWORD

No.8,193 Set by HIGHLANDER



ACROSS

1 Obtaining the skill to build invasion vessels (7,5)
10 Understanding one takes things off (7)
11 Forecasters use small, roundish ships, avoiding cold front (7)
12 Make authoritative decision, for example, this way (3-2)
13 Suffocation predicament reported in continent (8)
15 Plant expert takes child's place on island (10)
16 Likelihood on Sunday is unusual (4)
18 Hit with piece of hose (4)
20 Close result (10)
22 Drink is Theban originally (8)
24 Stone thrown to start attack (5)
26 Hot spots in which king is protected by subjects (7)
27 There are more lines on old fruit (7)
28 But a charge for sitting as Independent? (12)

DOWN

2 Chemical analyst like the Speaker (7)
3 Dog rodeo badly presented by well-intentioned person (2-6)
4 No note in register (4)
5 Bad-tempered fellow Irishman at front of church supporting crucifix (10)
6 Make embarrassed answer and go (5)
7 Sent message: delete arrangement about voter's mark (7)
8 Suitable stretch of beach begins operating in spasmodic spells (4,3,6)
9 I race after donkey twice – it's killing (13)
14 Suggested explanation for syringe found by the sister (10)
17 Adapted oneself to home (Urdu translation) (8)
19 Start like a sailor, finish like a knitter (4,3)
21 Almost offend in giving diabetic treatment (7)
23 Natural drinking water is drawn up (5)
25 Two miles covered by each girl (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 17.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.07.93 Pool purchase price £/MWh	Final Prices for Trading on 06.06.93 Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.60	20.60	26.50
0100	20.48	17.98	17.98
0130	18.90	33.00	33.00
0200	18.90	33.00	33.00
0230	18.90	17.95	17.95
0300	17.98	33.00	33.00
0330	17.97	33.00	33.00
0400	17.97	33.00	33.00
0430	17.97	33.00	33.00
0500	17.97	33.00	33.00
0530	17.97	33.00	33.00
0600	17.97	33.00	33.00
0630	17.94	33.00	33.00
0700	17.94	33.00	33.00
0730	19.16	33.00	33.00
0800	19.03	19.02	24.83
0830	21.74	19.18	24.98
0900	21.75	21.42	27.33
0930	21.75	22.06	27.99
1000	26.79	24.11	30.05
1030	26.53	24.11	30.01
1100	26.79	27.08	33.08
1130	27.78	28.05	34.10
1200	33.44	30.41	36.56
1230	33.44	33.00	39.25
1300	33.44	33.00	39.28
1330	26.79	28.05	34.14
1400	21.75	27.08	33.14
1430	23.54	22.08	27.96
1500	21.75	18.04	18.04
1530	18.07	33.00	33.00
1600	18.07	33.00	33.00
1630	18.07	33.00	33.00
1700	21.75	33.00	33.00
1730	21.75	18.04	18.04
1800	21.75	21.76	27.64
1830	21.75	21.76	27.63
1900	21.75	21.76	27.59
1930	21.75	21.76	27.53
2000	21.75	21.76	27.53
2030	21.75	22.08	27.87
2100	21.75	22.18	27.95
2130	21.75	27.08	33.04
2200	29.00	46.78	53.41
2230	41.86	46.78	53.40
2300	41.86	46.78	53.45
2330	25.60	22.08	27.88
2400	18.11	21.76	27.67

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 05.07.93 Pool purchase price £/MWh	Final Prices for Trading on 07.06.93 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.09	21.42	26.83
0100	18.04	17.98	17.98
0130	18.04	17.98	17.98
0200	18.04	17.99	17.99
0230	18.04	17.99	17.99
0300	18.04	17.99	17.99
0330	18.04	17.99	17.99
0400	18.04	17.99	17.99
0430	18.04	17.99	17.99
0500	18.04	17.99	17.99
0530	18.04	18.01	18.01
0600	18.01	34.00	34.00
0630	18.01	34.00	34.00
0700	19.00	33.00	38.82
0730	28.54	24.55	29.76
0800	28.84	23.94	28.88
0830	28.56	24.98	29.91
0900	28.90	27.69	32.75
0930	30.71	26.97	32.03
1000	30.75	27.94	33.06
1030	30.61	29.00	34.17
1100	34.33	29.07	34.25
1130	34.47	29.17	34.37
1200	34.55	33.75	39.17
1230	34.48	33.65	39.05
1300	34.33	33.47	38.74
1330	29.05	28.34	37.24
1400	29.00	26.25	31.12
1430	28.97	26.22	31.10
1500	28.95	25.19	30.03
1530	26.24	25.19	30.02
1600	28.97	25.22	30.08
1630	34.88	26.30	31.19
1700	34.88	33.19	38.30
1730	34.82	33.13	38.22
1800	28.82	26.16	31.03
1830	25.87	26.06	30.93
1900	25.67	26.06	30.94
1930	25.67	26.05	30.95
2000	25.67	26.05	30.96
2030	25.67	23.83	28.66
2100	25.67	23.83	28.68
2130	24.64	26.05	30.96
2200	33.90	37.80	42.89
2230	56.00	37.60	42.86
2300	35.00	37.60	42.91
2330	20.50	23.92	28.76
2400	19.00	22.17	27.11

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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